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# Grants and Programs Committee Chair's Report

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The Commission's Grants and Programs Committee held a meeting on August 24, 2006. CSAC staff presented an update and recommendations on the several items noted in the Commission meeting agenda and described below. The full Commission is now asked to adopt the Committee's actions as outlined below.

1. Consideration of Policies to Implement Audit Recommendations on Cal Grant Disbursement and Reconciliation Process—Reporting Cal Grant Disbursements and Reconciliation AND Reconciliation of Disbursements for Summer Sessions

**Action Taken:** The Committee approved a motion requiring institutions to reconcile payments no later than 60 days after the end of each term with penalties for non-compliance as described in the enclosed CSAC Work Plan and Recommendations (pages 6-11). It was noted that the Commission already approved enforcement of the October 15<sup>th</sup> end of year reconciliation at its April meeting. No action was taken with respect to the summer final reconciliation process and deadlines in order to allow CSAC staff to conduct further research on the feasibility of potential options, including initiating communications with the State Controller's Office. *The Committee requested that CSAC staff update the Committee on steps taken to implement the Commission's actions on these items at future Committee meetings.*

2. Reporting and Collection of Interest Earned on Cal Grant Funds

**Action Taken:** The Committee approved a motion requiring institutions to maintain Cal Grant funds in an interest-bearing account and modify the Grant Delivery System (GDS) to track interest remitted with the development of procedures to ensure compliance as described in the enclosed CSAC Work Plan and Recommendations (pages 11-13). *In taking action on this item, the Committee requested that staff give careful consideration of the interest calculation in implementing this policy.*

3. Consideration of Implementation of High School Graduation Requirement for Cal Grant Eligibility for 2007-08

CSAC staff provided a status report of the study requested by the Commission in its action from the June meeting (Provision #3). CSAC staff also reiterated its recommendation that responsibility for post-high school graduation verification be placed with Cal Grant postsecondary institutions as the best solution. In addition, CSAC staff presented information on the timelines for implementing the alternative of having CSAC communicate directly with students and require additional documentation from them for review and processing at CSAC in order to accomplish post-high school verification. CSAC staff noted that they believed this alternative would be detrimental to students.

**Action Taken:** The Committee approved a motion as follows: For the 2007-2008 award year, when the Commission sends its Cal Grant award letters, it shall

include a self-certification form which the student must fill out post-high school graduation under penalty of perjury certifying that he or she is a high school graduate and met all the graduation requirements. Additionally, prior to disbursing any Cal Grant funds, the enrolling institution must see a copy of the self-certification form and the original form must be placed in the student's financial aid file. *This policy change was adopted with the understanding that in cases where the institutions have other information showing high school graduation, CSAC staff can work with the Grant Advisory Committee and other stakeholders as needed to implement the new policy in a manner that allows high school transcripts with graduation information to be used as another means of complying with this particular policy for the 2007-2008 award year. In taking its action, the Committee noted that the policy and process to be utilized for high school graduation certification in future years would be negotiated and determined through the enactment of the new Institutional Participation Agreement (IPA).*

4. Consideration of Revised Regulations for the State Nursing Assumption Program of Loans for Education (SNAPLE)

**Action Taken:** The Committee approved a motion to accept the proposed SNAPLE regulations as revised and grant authorization to staff to take the necessary steps to complete the regulatory process to adopt the revised SNAPLE regulations.

5. Update on the Development of a New Cal Grant Institutional Participation Agreement

CSAC staff provided the Committee with an update on the steps that have been taken and will be taken to continue the process for developing a new Institutional Participation Agreement (IPA) since the current IPA will expire June 30, 2007. The IPA is undergoing its first comprehensive review since the implementation of Senate Bill 1644, creating the Cal Grant Entitlement and Competitive programs, which became effective with the 2001-2002 academic year. CSAC staff noted that they wished to ensure comprehensive input from stakeholders, control agencies and others in the development of a new IPA. As such, an internal planning timeline for the review and execution of a new IPA was developed by CSAC staff to guide work on this issue and ensure multiple points of input from stakeholders, control agencies and others prior to final Commission action on a new IPA. CSAC staff indicated that they hope to bring a proposed new IPA to the Commission for consideration and approval at the Commission's November meeting.

**Action/Information Item**

***California Student Aid Commission***

Consideration of Policies to Implement Audit  
Recommendations on Cal Grant Disbursement and Reconciliation Process

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At the June 23<sup>rd</sup>, 2006 Commission meeting, the Commissioner's accepted CSAC staff recommendations 1, 4, 5 & 6, contained in the enclosed CSAC Work Plan and Recommendations, in response to findings and recommendations contained in the Commission's Internal Auditor's Cal Grant Disbursement and Reconciliation Review. At this meeting, the Commission also requested that the following recommendations be placed on the September 2006 Commission meeting agenda for further consideration after further discussions with stakeholders, analysis and review:

- Recommendation #2 – Reporting Cal Grant Disbursements and Reconciliation AND Reconciliation of Disbursements for Summer Sessions
- Recommendation #3 – Reporting and Collection of Interest Earned on Cal Grant Funds

**Recommended Action:** After further consideration and in consultation with the Grant Advisory Committee (GAC), CSAC staff recommends that the Commission review and approve the following action items as follows:

- **CSAC Staff's Recommendation #2:** CSAC staff recommends approval of the initial staff recommendation to improve the reporting of Cal Grant disbursements and reconciliation processes by enforcing the October 15<sup>th</sup> annual reconciliation deadline (as approved at the April 21<sup>st</sup>, 2006 Commission meeting), and requiring institutions to reconcile payments 30-60 days after the end of each term with penalties for non-compliance. Given that the Commission has already acted on the October 15<sup>th</sup> annual reconciliation deadline enforcement, action by the Commission is only needed to require institutions to reconcile payments 30-60 days after the end of each term with penalties for non-compliance as described in the enclosed CSAC Work Plan and Recommendations (pages 6-11).

At this time, CSAC staff recommends no action by the Commission with respect to the summer final reconciliation process and deadlines in order for staff to conduct further research on the feasibility of potential options, including initiating communications with the State Controller's Office. CSAC staff will bring this item back to the Commission for its further consideration at its November meeting.

**CSAC Staff's Recommendation #3:** After additional consultation with GAC and additional research of CSAC staff's initial recommendation to require institutions to maintain Cal Grant funds in an interest-bearing account and modify the Grant Delivery System (GDS) to track interest remitted with the development of procedures to ensure compliance, CSAC staff's recommendation remains the same as a result, CSAC staff recommends the Commission move to require Cal Grant participating institutions to maintain Cal Grant funds in an interest-bearing account and modify the Grant Delivery System (GDS) to track interest remitted with the development of procedures to ensure compliance as described in the enclosed CSAC Work Plan and Recommendations (pages 11-13).

After further research and additional consultation with GAC, CSAC staff found no compelling evidence that requiring institutions to maintain Cal Grant funds in an interest-bearing account would impose an undue hardship on Cal Grant participating institutions. In addition, CSAC staff has considered the costs to modify GDS and the increased workload associated with this proposal and maintains its original recommendation. CSAC staff recognizes the fiscal advantage to the State General Fund in requiring participating institutions to maintain their Cal Grant funds in interest-bearing accounts.

**Responsible Staff:** Max Espinoza, Chief  
Program Administration & Services Division

Janet McDuffie, Chief  
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John Bays, Chief  
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Cal Grant Operations Branch

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**GLOSSARY OF TERMS**

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|              |   |
|--------------|---|
| BCP          | Budget Change Proposal  |
| CALSTARS     | California State Accounting and Reporting System  |
| CCC          | California Community Colleges   |
| CEC          | California Education Code   |
| CEO          | Chief Executive Officer   |
| CFL          | Current Funding Level (Pell Grant Program)  |
| CFO          | Chief Fiscal Officer  |
| CSAC         | California Student Aid Commission   |
| ED           | U.S. Department of Education  |
| EFT          | Electronic Fund Transfer  |
| FAO          | Financial Aid Officer   |
| FO           | Fiscal Officer  |
| GAC          | Grant Advisory Committee  |
| GAPS         | Federal Grant Administration & Payment System   |
| GDS          | Grant Delivery System   |
| IPA          | Institutional Participation Agreement   |
| Just-In-Time | A Federal Pell Grant electronic payment method  |
| PEPS         | Postsecondary Education Participants System   |
| Real-Time    | A proposed Cal Grant electronic payment method that parallels the Federal Pell Grants Just-In-Time electronic payment process |

**SUMMARY OF THE COMMISSION'S CONSIDERATION OF POLICIES TO IMPLEMENT AUDIT RECOMMENDATIONS ON DISBURSEMENT AND RECONCILIATION PROCESS**

In response to the California Student Aid Commission's (Commission's) Internal Audit's six (6) findings and recommended actions resulting from the Cal Grant Disbursement and Reconciliation Review, Commission staff developed a matrix outlining management's recommended solutions, and other pertinent information, to strengthen and improve the internal controls and business processes identified in the audit.

The Commission management's recommended solutions, for the six (6) audit findings and recommended actions, were presented to the Commission at the June 26, 2006 Commission meeting for consideration of policies to implement audit recommendations on disbursement and reconciliation processes. The following is a short summary of each of Commission management's recommendations in response to the audit findings:

**CSAC Staff Recommendation #1:** No modifications to the current methodology for calculating and issuing term and supplemental advances for the 2006-2007/2007-2008 award years.

***Estimated Implementation:*** Done

**CSAC Staff Recommendation #2:** Improve the reporting of Cal Grant disbursements and reconciliation processes by enforcing the October 15<sup>th</sup> annual reconciliation deadline, and requiring institutions to reconcile payments 30-60 days after the end of each term with penalties for non-compliance.

***Estimated Implementation:*** Phase I July 2006, Phase II July 2007, Phase III July 2008

**CSAC Staff Recommendation #3:** Require institutions to maintain Cal Grant funds in an interest bearing account and modify the Grant Delivery System (GDS) to track interest remitted with the development of procedures to ensure compliance.

***Estimated Implementation:*** Short-term July 2006, Long-term July 2007

**CSAC Staff Recommendation #4:** Modify GDS to allow the recording of refunds from institutions related to a closed award year and resolve reconciliation issues between GDS and the California State Accounting and Reporting System (CALSTARS).

***Estimated Implementation:*** With the GDS Real-Time Enhancement - July 2007

**CSAC Staff Recommendation #5:** Modify the Program Compliance Branch and Fiscal & Administrative Branch procedures for requesting and receiving refunds as a result of a school audit finding.

***Estimated Implementation:*** July 2006

**Recommendation #6:** Cal Grant Operations and Information Technology Division to improve yearly invoicing and follow-up procedures for collecting amounts owed to CSAC that are consistent with the State Administrative Manual (SAM) by issuing a sequence of 30, 60, 90, and 120 letters with adherence to penalties for non-compliance.

***Estimated Implementation:*** Short-term October 2006, Long-term October 2007

**CSAC CAL GRANT DISBURSEMENT AND RECONCILIATION AUDIT WORK PLAN & RECOMMENDATIONS**

| Number | Internal Audit Findings/Recommendations & CSAC Work Plan/Recommendations  | Estimated Implementation                 |
|--------|---|--|
| 1.     | <p><b>Topic:</b> Advancing Cal Grant Funds</p> <p><b>Internal Audit Finding:</b> The current practice of disbursing funds does not effectively manage the state's cash flow, resulting in excess funds being disbursed to and held by institutions.</p> <p><b>Internal Audit Recommendation:</b> Reassess the current methodology of issuing advances and supplemental disbursements to institutions in an effort to improve cash flow for the State.</p> <p><b>Internal Audit Options For Consideration:</b></p> <ul style="list-style-type: none"> <li>• Calculate term advances to institutions based on final reconciled amounts disbursed to Cal Grant recipients.</li> <li>• Reduce the current 95% advance to institutions to a lower percentage.</li> <li>• Advance only those funds to institutions needed for non-tuition disbursements that are paid directly to Cal Grant recipients such as for books, supplies, and other expenses.</li> <li>• Eliminate advances to institutions altogether and instead only make payments based on actual costs incurred as reported by the institutions.</li> </ul> <p><b>CSAC Management's Recommended Solution (Short-term):</b> The California Student Aid Commission (CSAC) management's recommended solution for the 2006-2007/2007-2008 award years is to continue the current methodology for calculating and issuing term advances with no modifications.</p> <p>The CSAC Research &amp; Policy Analysis Branch's advance comparisons has shown that CSAC's current methodology for calculating term advances by multiplying the total each institution reported as disbursed for the previous year (term specific) by 95% has validity based on past reconciliation and advance calculation data.</p> | <p align="center"><b>August 2006</b></p> |

**CSAC CAL GRANT DISBURSEMENT AND RECONCILIATION AUDIT WORK PLAN & RECOMMENDATIONS**

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|--------|---|--------------------------|
|        | <p>While it has been suggested that the current methodology of calculating the term advance seems excessive, the data comparison of current disbursements using the 95% advance rate versus a proposed disbursement based on calculated “take rates” from previously reconciled years, show it is not.</p> <p>After careful analysis of California Education Code (CEC), Section 69432.8, referenced in the Pertinent Laws &amp; Regulations Section below, and the comparisons of the current and proposed methodology of calculating term advances, Commission staff has concluded:</p> <ul style="list-style-type: none"> <li>• CSAC's current advance methodology is in compliance with the Code because the calculated advance does account for enrollment attrition as the advance is calculated by multiplying the total each institution reported as disbursed for the previous year (term specific), which takes into account student enrollment numbers.</li> <li>• The 5%, which is withheld from the advance, is in direct relation to attrition and therefore, within Code requirements. In addition, Legal Counsel supported the 95% advance as it has demonstrated meeting institution needs.</li> </ul> <p><b>Pros:</b></p> <ul style="list-style-type: none"> <li>• Current term advance methodology will not require changes to procedures.</li> <li>• Current term advance methodology will not require additional expenditures or CSAC staff time.</li> <li>• Current term advance methodology will not require Department of Finance approval.</li> <li>• Current term advance methodology will now have documented data validity based on staff analysis.</li> <li>• Current term advance methodology will have no adverse impact to institutions or students.</li> <li>• Current term advance methodology is compliant with CEC, Section 69432.8.</li> <li>• The 3 phased approach recommended in #2 of this document will further improve the reporting of Cal Grant disbursements and reconciliation processes.</li> <li>• Real-Time Database implementation in 2008 will eliminate term advances altogether and should resolve Audit issues with reconciliation.</li> </ul> |                          |

**CSAC CAL GRANT DISBURSEMENT AND RECONCILIATION AUDIT WORK PLAN & RECOMMENDATIONS**

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|        | <ul style="list-style-type: none"> <li>• CSAC Research &amp; Policy Branch will continue to review and analyze reconciliation data, on an on-going basis, to ensure the 95% advance is compliant with state law and meets the needs of the institutions and students.</li> </ul> <p><b>Cons:</b></p> <ul style="list-style-type: none"> <li>• Current term advance methodology still requires reconciliation. See recommendation #2.</li> </ul> <p><b>Policy Issues:</b></p> <ul style="list-style-type: none"> <li>• None foreseen at this time. CSAC staff's recommendation to leave the term advance methodology as is until the GDS Real-Time Database enhancements have been implemented is consistent with stakeholder input.</li> </ul> <p><b>Constraints:</b></p> <ul style="list-style-type: none"> <li>• None foreseen at this time.</li> </ul> <p><b>Estimated GDS Modification Time:</b> No GDS modifications required for this short-term recommendation.</p> <p><b>CSAC Management's Recommended Solution (Long-term):</b> CSAC management's long-term goal is to eliminate advances to institutions altogether and instead only make payments based on actual costs incurred as reported by the institutions. However, management does not recommend implementation of this long-term solution until Phase II of the GDS Real-Time Database and WebGrants system enhancements are implemented, as the new on-line reporting coupled with the current electronic fund transfer (EFT) technology will allow for a short turnaround time (3 days) to deliver funds to institutions.</p> <p><b>Estimated GDS Modification Time:</b> The GDS modifications required for this long-term recommendation will be incorporated into Phase II of the GDS Real-Time Database and WebGrants System Enhancement Project.</p> | <p align="center"><b>July 2008</b></p> |

**CSAC CAL GRANT DISBURSEMENT AND RECONCILIATION AUDIT WORK PLAN & RECOMMENDATIONS**

| Number | Internal Audit Findings/Recommendations & CSAC Work Plan/Recommendations   | Estimated Implementation |
|--------|--|--------------------------|
|        | <p><b>Constraints:</b> This long-term recommendation is contingent on the completion of Phase I of the GDS Real-Time Database and WebGrants System Enhancement Project and the approval of Phase II in the fiscal year 2007-2008 budget process. If Phase II is not approved in the 2007-2008 fiscal year budget process, CSAC will continue using the methodology for issuing term advance payments outlined in the short-term recommendation above.</p> <p><b>Pertinent Laws &amp; Regulations:</b></p> <p><u>California Education Code, Section 69432.8</u> <i>The commission may determine that an advance payment is essential to ensure that funds provided pursuant to this chapter to assist students to enroll in postsecondary education are available at the time students enroll. Upon making that determination, the Commission may, on the basis of institutional academic calendars, advance, per term to authorized postsecondary educational institutions, the funds for eligible students who have indicated they will attend those institutions, less an amount based on historical claim enrollment attrition information. Each institution shall disburse the funds in accordance with the provisions set forth in the institutional agreement between the commission and the institution.</i></p> <p><b>Other Options Considered:</b></p> <p><b>Option #1:</b> CSAC management considered modifying the current methodology for calculating and issuing term advances by using data from the most recent reconciled award year to calculate each individual institution's "take rate" and use this ratio in the process of calculating the amount of the institution's term advance payment. The amount of each schools term advance would be calculated by multiplying the current term roster dollar amount by the "take rate". A special allocation formula was also contemplated for the California Community Colleges as described on the next page to account for the September 2<sup>nd</sup> awards.</p> <p><b>Example: Enrollment Take Rate Formula</b></p> <p align="center"><u>Each Individual Institution (Based on previous reconciled year data)</u></p> <p align="center"><i>Awards Paid ÷ Awards Offered = Take Rate</i></p> |                          |

**CSAC CAL GRANT DISBURSEMENT AND RECONCILIATION AUDIT WORK PLAN & RECOMMENDATIONS**

| Number | Internal Audit Findings/Recommendations & CSAC Work Plan/Recommendations  | Estimated Implementation |
|--------|---|--------------------------|
|        | <p><b>Example: Term Advance Formula</b></p> <p><u>Each Individual Institution (term specific):</u></p> <p>Take Rate X Current Term Roster Dollar Amount = Advance</p> <p><b>Example: Fall Term California Community Colleges (CCC) Formula</b></p> <p>Take Rate X (Current Term Roster Dollar Amount + Calculated Cal Grant B (C2) Average Distribution) = Fall Advance</p> <p>This option was rejected by Commission staff after careful analysis.</p> <p><b>Option #2:</b> CSAC management also considered a recommendation to convene a workgroup that would include Grant Advisory Committee (GAC) members and other stakeholders, such as school business officers, to develop a proposal for the 2007-2008 award year and forward, addressing the cash advance and reconciliation findings contained in the internal audit report. In addition, it was recommended that as a long-term solution, CSAC staff consider a Just-In-Time process that parallels the federal process, and that CSAC staff work with institutions to be sure they can take advantage of a Just-In-Time process.</p> <p>While the idea of establishing a workgroup has merit, doing so to respond to this audit finding is not recommended. CSAC management does however support a GAC recommendation to establish an advisory committee to assist in the development of business rules for the GDS Real-Time and WebGrants System Enhancement Project to ensure the new services meet school, student and State needs.</p> <p><b>Note of Interest:</b> In the 1999-2000 award year, the U.S. Department of Education (ED) implemented a new Just-In-Time funding method for Pell Grants. Institutions using the Just-In-Time funding method do not receive initial authorization funding amounts (term advances). Institutions submit an accepted disbursement record, which becomes both a report of a disbursement for a student and a request for funds. Institutions submit disbursement records no earlier than five days prior to the actual disbursement date reported in the record. Based on accepted and processed disbursement records, the Federal Government will electronically send the</p> |                          |

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|------------------|--|--|
|                  | <p>funds directly to the institutions bank account without any further action by the institution. This approach alleviates the “float” of undisbursed funds at institutions with no immediate need, and allows Pell Grant funds to be directed efficiently and quickly to institutions based on their actual needs.</p>  |  |
| <p><b>2.</b></p> | <p><b>Topic:</b> Reporting Cal Grant Disbursements &amp; Reconciliation</p> <p><b>Internal Audit Finding:</b> The timeframes in which institutions report disbursements and adjustments to CSAC often exceed the date defined in the Institution Participation Agreement (IPA), creating cash flow issues and impacting CSAC’s ability to effectively forecast future cash flow needs.</p> <p><b>Internal Audit Recommendation:</b> Require institutions to report disbursements and make adjustments prior to the published reporting deadline for each award year. Also consider implementing additional reporting deadlines at the conclusion of each term.</p> <p><b>Internal Audit Options For Consideration:</b></p> <ul style="list-style-type: none"> <li>• Develop and implement procedures limiting institutions from reporting payments more than 30 days prior to the beginning of a term.</li> <li>• Require institutions to perform the final reconciliation of disbursements to Cal Grant recipients within 30-60 days of the end of each term.</li> <li>• Modify GDS to limit an institution’s ability to report payments or make adjustments beyond 30-60 days subsequent to the end of the term.</li> </ul> <p><b>CSAC Management’s Recommended Solution:</b> In response to the audit recommendation, CSAC management recommends a three (3) phased approach to improve the reporting of Cal Grant disbursements and reconciliation processes, which will include changing the current methodology used for issuing the supplemental advance.</p> <p><b>Phase I:</b> The first phase of this recommendation will be implemented for the 2005-2006 award year and includes the following action items:</p> | <p align="center"><b>July 2006</b></p> |

**CSAC CAL GRANT DISBURSEMENT AND RECONCILIATION AUDIT WORK PLAN & RECOMMENDATIONS**

| Number | Internal Audit Findings/Recommendations & CSAC Work Plan/Recommendations   | Estimated Implementation |
|--------|--|--------------------------|
|        | <ul style="list-style-type: none"> <li>• CSAC staff will issue an Operations Memo/Policy Bulletin to notify institutions of the following process modifications and to reinforce established CSAC procedures:               <ul style="list-style-type: none"> <li>✓ Effective for the 2005-2006 academic year, all Cal Grant funds received and disbursed must be reconciled by October 15<sup>th</sup>, following the award year.</li> <li>✓ Any institutions that have Cal Grant funds remaining after October 15<sup>th</sup> will receive an invoice for such funds in November following the end of an award year. Following the initial invoice, the invoice and collection procedures outlined in CSAC Management’s Recommended Solution #6 will be enforced.</li> <li>✓ Remind institutions that according to the IPA, institutions are expected to make final payments by September 30<sup>th</sup>, following the award year and resolve any outstanding payment issues by October 15<sup>th</sup> or face penalties as outlined in the existing IPA (Refer to Issue/Recommendation #6)</li> </ul> </li> <li>• CSAC management recommends requiring institutions to perform a reconciliation of disbursements to Cal Grant recipients within 30-60 days of the <b>end</b> of each term</li> <li>• Issue an Operations Memo/Policy Bulletin notifying institutions that effective for the 2007-2008 award year; institutions that do not reconcile within 30-60 days of the end of the term will not be allowed to receive supplemental advances/payments until the reconciliation is completed.</li> <li>• CSAC management recommends submitting a Budget Change Proposal (BCP) requesting additional Program Compliance and Fiscal &amp; Administrative Services staff to monitor, enforce and process the modifications to the Cal Grant disbursement and reconciliation procedures.</li> </ul> <p><b>Estimated GDS Modification Time:</b> No GDS modifications required for Phase I of this recommendation.</p> <p><b>Constraints:</b> No constraints have been identified for Phase I of this recommendation.</p> |                          |

**CSAC CAL GRANT DISBURSEMENT AND RECONCILIATION AUDIT WORK PLAN & RECOMMENDATIONS**

| Number | Internal Audit Findings/Recommendations & CSAC Work Plan/Recommendations   | Estimated Implementation               |
|--------|--|--|
|        | <p><b>Implementation Issues:</b> CSAC's School Support Services Branch will provide reconciliation training and essential front-line access for schools.</p> <p><b>Pertinent Institutional Participation Agreement (IPA) Terms:</b></p> <p><u>IPA, Article II General Provision A:</u> <i>The Institution agrees to use Cal Grant funds provided to it solely for the purposes specified, and in accordance with the provisions set forth in the respective program statutes, federal and state regulations and procedures, the California Grant Programs Manual including manual updates, policy bulletins, operations memos, and special alerts.</i></p> <p><b>Phase II:</b> The second phase of this CSAC management recommendation will be implemented for the 2007-2008 award year and includes the following action items:</p> <ul style="list-style-type: none"> <li>• Implementation of procedures to limit institutions from reporting payments more than 30 days prior to the beginning of a term.</li> <li>• Continued monitoring by the Program Compliance and Fiscal &amp; Administrative Services Branches and development of enforcement procedures for non-compliance.</li> <li>• Begin penalties for non-compliance; holding supplemental advances until reconciliation occurs.</li> <li>• Modifications to the Institutional Participation Agreement (IPA) to include the recommendations in this document.</li> </ul> <p><b>Estimated GDS Modification Time:</b> The GDS modifications required for Phase II of this recommendation will be incorporated into Phase I of the GDS Real-Time Database and WebGrants System Enhancement Project.</p> <p><b>Constraints:</b> No constraints have been identified for Phase II of this recommendation.</p> <p><b>Policy Issues:</b> Institutions may have the ability to appeal the reporting of payments or adjustments for special circumstances, such as late Entitlement Awards, if appropriate.</p> | <p align="center"><b>July 2008</b></p> |

**CSAC CAL GRANT DISBURSEMENT AND RECONCILIATION AUDIT WORK PLAN & RECOMMENDATIONS**

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|--------|--|--|
|        | <p><b>Other Options Considered:</b></p> <ul style="list-style-type: none"> <li>Require institutions to perform a reconciliation of disbursements to Cal Grant recipients within 30-60 days of the <b>start</b> of each term.</li> </ul> <p>This option was not selected because it would be extremely difficult for some schools to comply with this recommendation due to the fact that some school's have multiple rolling start dates.</p> <p><b>Note of Interest:</b> As a comparison, the Federal Pell Grant Program has the following requirements for participation:</p> <ul style="list-style-type: none"> <li>Advanced Funded institutions may submit an actual disbursement up to 30 days before the disbursement date. However, the disbursement will not be posted and funded in the Federal Grant Administration &amp; Payment System (GAPS) until 7 days before the disbursement date.</li> <li>Under the advance payment method, institution must disburse the funds as soon as administratively feasible but no later than 3 business days following the date the school received the funds.</li> <li>As an Advance Funded institution submits actual disbursements, the total accepted and posted amount for each disbursement which is applied to the amount of the school's Initial Current Funding Level (CFL). Only after the Initial CFL amount has been reached will the school's CFL be increased to cover additional accepted and posted disbursements.</li> <li>Advanced Funded institutions must maintain Federal Pell Grant program funds in an interest-bearing bank account or an investment account.</li> </ul> <p><b>Phase III:</b> The third and final phase of this CSAC management recommendation will be implemented for the 2008-2009 award year and includes the following action items:</p> | <p align="center"><b>July 2008</b></p> |

**CSAC CAL GRANT DISBURSEMENT AND RECONCILIATION AUDIT WORK PLAN & RECOMMENDATIONS**

| Number | Internal Audit Findings/Recommendations & CSAC Work Plan/Recommendations   | Estimated Implementation |
|--------|--|--------------------------|
|        | <ul style="list-style-type: none"> <li>With the implementation of the GDS Real-Time and WebGrants System Enhancement Project, advances will be eliminated and the reconciliation process will be automated, which will provide more accurate and timely accounting and budgeting information for the State.</li> </ul> <p><b>Estimated GDS Modification Time:</b> The GDS modifications required for Phase III of this recommendation will be incorporated into Phase II of the GDS Real-Time Database and WebGrants System Enhancement Project.</p> <p><b>Constraints:</b> This phase of the recommendation is contingent on the completion of Phase I of the GDS Real-Time Database and WebGrants System Enhancement Project and the approval of Phase II in the fiscal year 2007-2008 budget process. If Phase II is not approved in the 2007-2008 fiscal year budget process, CSAC would continue using the methodology and other policies/processes for Cal Grant disbursements, reconciliations and supplemental advances outlined in Phase II of this recommendation.</p> <p><b>Policy Issues:</b> Modifications to the Institutional Participation Agreement (IPA) required.</p> <p><b>Pertinent Laws &amp; Regulations:</b></p> <p><u>California Education Code, Section 69535.5:</u> <i>The Student Aid Commission may determine that an advanced payment is essential to assure that funds provided pursuant to this chapter to assist students to enroll in postsecondary education are available at the time students enroll. Upon making that determination, the Student Aid Commission may, based on institutional academic calendars, advance per term to authorized postsecondary educational institutions the funds for eligible students who have indicated they will attend those institutions less an amount based on historical claim enrollment attrition information. Each institution shall disburse the funds in accordance with the provisions set forth in the Institutional Agreement between the Student Aid Commission and the institution.</i></p> |                          |

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| Number           | Internal Audit Findings/Recommendations & CSAC Work Plan/Recommendations  | Estimated Implementation               |
|------------------|---|--|
|                  | <p><b>Pertinent Institutional Participation Agreement (IPA) Terms:</b></p> <p><u>IPA, Article IV, C.6:</u> <i>Make all disbursements no later than September 30<sup>th</sup> following the end of the award year</i></p> <p><u>IPA, Article IV, D.2:</u> <i>Reconcile all Cal Grant funds received and disbursed by the Institution no later than October 15<sup>th</sup> following the award year. The Institution must report adjusted payment transactions for payment transactions previously reported in error that result in a payment exceeding the recipient's eligibility.</i></p>   |  |
| <p><b>3.</b></p> | <p><b>Topic:</b> Reporting &amp; Collection of Interest Earned on Cal Grant Funds</p> <p><b>Internal Audit Finding:</b> There is no mechanism in place to ensure the collection, tracking and reporting of interest earned on Cal Grant funds by institutions.</p> <p><b>Internal Audit Recommendation:</b> Require institutions to maintain Cal Grant funds in an interest bearing account. Additionally, modify the Grant Delivery System (GDS) to track interest remitted by institutions and develop formal procedures to ensure schools are remitting interest earned on Cal Grant funds.</p> <p><b>Internal Audit Options For Consideration:</b></p> <ul style="list-style-type: none"> <li>• Establish procedures for institutions to report interest payments.</li> <li>• As part of the Institution Participation Agreement (IPA), require institutions to maintain Cal Grant funds in an interest bearing account.</li> <li>• Modify GDS and create a field to record interest remitted by institutions.</li> <li>• Establish procedures to at least annually ensure schools are remitting interest income.</li> </ul> <p><b>CSAC Management's Recommended Solution (Short-term):</b> CSAC management recommends establishing processes and procedures for institutions to report interest payments and to ensure that at least annually, institutions are remitting interest income to CSAC in the following manner:</p> | <p align="center"><b>July 2006</b></p> |



**CSAC CAL GRANT DISBURSEMENT AND RECONCILIATION AUDIT WORK PLAN & RECOMMENDATIONS**

| Number | Internal Audit Findings/Recommendations & CSAC Work Plan/Recommendations   | Estimated Implementation |
|--------|--|--------------------------|
|        | <p><b>Estimated GDS Modification Time:</b> Except for the additional September advance programming, the GDS modifications for this recommended solution will be incorporated into Phase I of the GDS Real-Time Database and WebGrants System Enhancement Project.</p> <p><b>Constraints:</b> No constraints identified for this recommendation.</p> <p><b>Policy Issues:</b> Due to the required GDS modifications and the need to update the IPA, management recommends incorporating these changes with the scheduled “roll out” of the new IPA for the 2007-2008 award year.</p> <p><b>Other Options Considered:</b></p> <p><b>Option #1:</b> CSAC management considered a recommendation to only require institutions that do not timely reconcile and return funds to CSAC to hold funds in an interest bearing account. This requirement would be imposed in the year immediately following a year that an institution returned funds to CSAC in excess of a set percentage of their total advance. This recommendation recognizes that institutions that disburse funds and reconcile in a timely manner would not accrue significant interest.</p> <p>This option was rejected as CSAC management’s objective is to respond to the internal audits recommendation to require institutions to maintain Cal Grant funds in an interest bearing account.</p> <p><b>Pertinent Institutional Participation Agreement (IPA) Terms:</b></p> <p><u>IPA, Article III, A.2:</u> <i>The Institution may establish a separate bank account designated for Cal Grant funds.</i></p> <p><u>IPA, Article III, A.3:</u> <i>Interest earned on Cal Grant funds in these accounts must be returned to the Commission on behalf of the State.</i></p> |                          |

**CSAC CAL GRANT DISBURSEMENT AND RECONCILIATION AUDIT WORK PLAN & RECOMMENDATIONS**

| Number | Internal Audit Findings/Recommendations & CSAC Work Plan/Recommendations  | Estimated Implementation               |
|--------|---|--|
| 4.     | <p><b>Topic:</b> Closed Award Year Refund Processing</p> <p><b>Internal Audit Finding:</b> Refunds received from institutions cannot always be recorded in the Grant Delivery System (GDS).</p> <p><b>Internal Audit Recommendation:</b> Modify GDS to allow the recording of refunds from institutions related to a closed award year. Develop formal procedures to require that refunds recorded in CALSTARS (the State’s accounting system) be reconciled to GDS and any differences resolved.</p> <p><b>Internal Audit Options For Consideration:</b></p> <ul style="list-style-type: none"> <li>• Cal Grant Operations should request that GDS be modified to allow all refund payments to be recorded in the system to properly account for Cal Grant funds.</li> <li>• Fiscal and Administrative Services should ensure that all Cal Grant refunds are posted to both the California State Accounting and Reporting System (CALSTARS) and GDS.</li> <li>• CALSTARS should be periodically reconciled to the student detail in GDS to ensure all transactions are properly recorded and accounted for.</li> </ul> <p><b>CSAC Management’s Recommended Solution:</b> Modify GDS to allow the recording of refunds and manual payments to and from institutions related to closed award years, even if GDS indicates no outstanding balance and/or outstanding invoice. In addition, procedures will be developed to require that refunds and manual payments are recorded in CALSTARS (the State’s accounting system) and any differences resolved.</p> <p><b>Estimated GDS Modification Time:</b> The GDS modifications required for this recommendation will be incorporate into Phase I of the GDS Real Time Database and WebGrants System Enhancement Project.</p> <p><b>Constraints:</b> No constraints identified for this recommended solution.</p> <p><b>Policy Issues:</b> No policy issues identified for this recommended solution.</p> | <p align="center"><b>July 2007</b></p> |

**CSAC CAL GRANT DISBURSEMENT AND RECONCILIATION AUDIT WORK PLAN & RECOMMENDATIONS**

| Number | Internal Audit Findings/Recommendations & CSAC Work Plan/Recommendations  | Estimated Implementation               |
|--------|---|--|
| 5.     | <p><b>Topic:</b> Receiving and Processing Refunds from Institutions</p> <p><b>Internal Audit Finding:</b> Refunds are not consistently handled in accordance with CSAC established procedures.</p> <p><b>Internal Audit Recommendation:</b> Document and reinforce established procedures to require institutions to remit all payments directly to the Fiscal and Administrative Services Branch. Currently, institutions occasionally send payments related to audit findings to the Program Compliance Branch.</p> <p><b>Internal Audit Options For Consideration:</b></p> <ul style="list-style-type: none"> <li>• All refunds remitted to CSAC should be sent directly to the post office box established for the Fiscal and Administrative Services Branch and processed through the established cash receipt process.</li> <li>• The Program Compliance Branch should cease its practice of allowing remittance checks to be sent directly to their post office box or address.</li> </ul> <p><b>CSAC Management’s Recommended Solution:</b> The Commission’s Program Compliance Branch has modified their procedures for requesting refunds of Cal Grant proceeds from Institutions as a result of a program compliance review. If a refund is required, the report from the program compliance review instructs institutions to remit any check, with the Program Compliance Remittance Form attached, to the Fiscal and Administrative Services Division. In addition, an Operations Memo/Policy Bulletin will be developed and distributed to Institutions reinforcing CSAC’s established refund procedures.</p> <p><b>Estimated GDS Modification Time:</b> No GDS modifications required for this recommended solution.</p> <p><b>Constraints:</b> No constraints identified for this recommended solution.</p> | <p align="center"><b>July 2006</b></p> |

**CSAC CAL GRANT DISBURSEMENT AND RECONCILIATION AUDIT WORK PLAN & RECOMMENDATIONS**

| Number | Internal Audit Findings/Recommendations & CSAC Work Plan/Recommendations   | Estimated Implementation |
|--------|--|--------------------------|
|        | <p><b>Policy Issues:</b> CSAC staff will issue an Operations Memo/Policy Bulletin reinforcing CSAC’s established refund procedures.</p>  |                          |
| 6.     | <p><b>Topic:</b> Year-End Invoice and Collection Processing</p> <p><b>Internal Audit Finding:</b> CSAC lacks procedures, as required by the State Administrative Manual (SAM), to collect amounts owed from institutions.</p> <p><b>Internal Audit Recommendation:</b> Implement invoicing and follow-up procedures for collecting amounts owed to CSAC that are consistent with the guidelines defined in the State Administrative Manual.</p> <p><b>Internal Audit Options For Consideration:</b></p> <ul style="list-style-type: none"> <li>• Implement invoicing and follow-up procedures that are consistent with the guidelines defined in the State Administrative Manual (SAM).</li> </ul> <p><b>CSAC Management’s Recommended Solution (Short-term):</b> The following short-term procedures are recommended to improve the invoicing and collection processes:</p> <ul style="list-style-type: none"> <li>• Cal Grant Operations will mail an invoice with a revised cover letter, detailing the institution’s responsibilities, to the primary financial aid officer (FAO) and carbon copy to the fiscal officer (FO) rather than one, institutionally designated, contact.</li> <li>• Issuance of 30-day past due notice – A notice will be sent to those institution’s who have not paid within 30 days of being invoiced. The notice will warn the institution of the consequences of noncompliance. In addition to the previous individuals, the institution’s chief executive officer (CEO) and chief fiscal officer (CFO) will receive a carbon copy of the 30-day notice.</li> </ul> | October 2006             |

**CSAC CAL GRANT DISBURSEMENT AND RECONCILIATION AUDIT WORK PLAN & RECOMMENDATIONS**

| Number | Internal Audit Findings/Recommendations & CSAC Work Plan/Recommendations   | Estimated Implementation |
|--------|--|--------------------------|
|        | <ul style="list-style-type: none"> <li>• Issuance of 60-day past due notice – A notice will be sent to those institution’s who have not paid within 60 days of being invoiced. The notice will inform the institution that CSAC has taken steps to withhold the processing of any future payment transactions or issuance of Cal Grant funds. The original 60-day past due notice will be sent to FAO and carbon copy to the FO, the CEO and the CFO.</li> <br/> <li>• Issuance of 90-day past due notice – A notice will be sent to those institution’s who have not paid within 90 days of being invoiced. This notice will inform institution’s that CSAC will withhold term advances for future academic years if the balance is not paid. The original 90-day past due notice will be sent to the primary FAO and carbon copy to the FO, the CEO and the CFO.</li> <br/> <li>• Issuance of 120-day past due notice – A notice will be sent to those institution’s who have not paid within 120 days of being invoiced. The notice will inform the institution that their IPA has been terminated for noncompliance and therefore, they are no longer eligible to administer the Cal Grant Program. The original 120-day past due notice will be sent to the primary FAO and carbon copy to the FO, the CEO and the CFO. In addition, Cal Grant students attending the now ineligible institution will be sent a letter and appropriate forms to request a school change or leave of absence.</li> </ul> <p><b>Constraints</b></p> <ul style="list-style-type: none"> <li>• Currently, GDS can systematically generate correspondence to only one recipient at the institution. To ensure both contacts receive the notice, it will be necessary for Cal Grant Operations to query GDS for the name and addresses of the financial aid officer (FAO) and fiscal officer (FO) and manually create a second notice, cover letter and mailing labels.</li> <br/> <li>• Currently, CSAC does not have a database containing the contact information for the institution’s chief executive officer (CEO) or chief fiscal officer (CFO). Cal Grant Operations will need to coordinate with the School Support Services Branch to obtain this information from the Institutional Participation Agreements (IPA’s) or the Postsecondary Education Participants System (PEPS).</li> </ul> |                          |

**CSAC CAL GRANT DISBURSEMENT AND RECONCILIATION AUDIT WORK PLAN & RECOMMENDATIONS**

| Number | Internal Audit Findings/Recommendations & CSAC Work Plan/Recommendations   | Estimated Implementation                  |
|--------|--|---|
|        | <p><b>Policy Issues</b></p> <ul style="list-style-type: none"> <li>• Extensions to the payment due date will not be accepted.</li> <li>• An institution may appeal the balance due after the balance has been paid or after the receipt of the 120 day past due notice.</li> <li>• An institution’s appeal for additional funds will be considered after the outstanding balance has been paid-in-full.</li> </ul> <p><b>CSAC Management’s Recommended Solution (Long-term):</b> Modify the Grant Delivery System (GDS) to systematically generate the Invoice &amp; Cover Letters, 30-day, 60-day, 90-day and 120-day past due notices to multiple institution contacts including the chief executive officer (CEO) and the chief fiscal officer (CFO).</p> <p><b>Estimated GDS Modification Time:</b> The estimated time for project planning, system requirements, system design, system testing and implementation for this recommendation is three (3) staff months.</p> <p><b>Constraints:</b> No constraints identified for this recommended solution.</p> <p><b>Note of Interest:</b> In recommending a 30, 60, 90 and 120-day notices, CSAC management’s solution for the year-end invoice and collection process goes beyond what is required by the State Administrative Manual (SAM), with regard to requiring a minimum of three letters.</p> <p><b>Pertinent Laws &amp; Regulations:</b></p> <p><i>State Administrative Manual (SAM) Section 8776.6 - Collection Letters: Once the address of the debtor is known, the accounting office will send a sequence of three collection letters at 30 day intervals. If a reply or payment is not received within 30 days after sending the first letter, the accounting office will send a second letter. This follow-up letter will reference the original request for payment letter and will be stated in a stronger tone. If a response is still not received from the debtor, a third letter will be sent 30 days later. This last letter will include references to prior letters</i></p> | <p align="center"><b>October 2007</b></p> |

**CSAC CAL GRANT DISBURSEMENT AND RECONCILIATION AUDIT WORK PLAN & RECOMMENDATIONS**

| Number | Internal Audit Findings/Recommendations & CSAC Work Plan/Recommendations   | Estimated Implementation |
|--------|--|--------------------------|
|        | <p><i>and will state what further actions may be taken in the collection process.</i></p> <p><b>Pertinent Institutional Participation Agreement (IPA) Terms:</b></p> <p><u>Institutional Participation Agreement (IPA) Article IV, D.2:</u> <i>Upon final reconciliation by the Institution, the Institution shall repay any Cal Grant funds in excess of the reconciled amount to the Commission. Upon final reconciliation by the Commission, the Institution shall be invoiced for excess funds. The invoice shall be due and payable to the Commission within 30 days of receipt of the invoice. The Institution agrees to resolve any reconciliation discrepancies with the Commission.</i></p> <p><u>Institutional Participation Agreement (IPA) Article IV, D.9:</u> <i>Failure by the Institution to take action on Cal Grant funds that the Institution is ineligible to retain may constitute noncompliance and may result in the termination of this Agreement, thereby, terminating the Institution's participation in the Cal Grant Programs.</i></p> |                          |



# **Cal Grant Disbursement and Reconciliation Review**

**December 30, 2005**

**Audit #05-301**

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## **I. Executive Summary**

The Cal Grant Operations Branch within the California Student Aid Commission (CSAC) is responsible for administering the operational activities for those state funded grants referred to as Cal Grants with support from the Fiscal and Administrative Services Branch and the Information Technology Services Branch. Cal Grants are awarded to eligible students whose family's income and assets are at or below a predetermined ceiling set by the State in accordance with the provisions of the California Education Code section 69432.7(k). These grants are designed to assist students in paying post-secondary education related expenses such as tuition, fees, books, supplies and living expenses.

The Cal Grant program has grown tremendously over the years, which is evident by the increasing amount of funds distributed to Cal Grant recipients each year. For example, in 1994 CSAC disbursed approximately \$234 million in Cal Grant funds. This amount increased to \$450 million in 2000 as program requirements were changed to include entitlement grants. For the fiscal year ended June 30, 2005, approximately 370 institutions qualified to participate with CSAC in distributing assistance to over 240,000 Cal Grant recipients, totaling approximately \$724 million in state funds. As a result of this growth, CSAC has recognized a need to reevaluate and modify its current practices as needed.

Two key functions of the Cal Grant Operations Branch and the Fiscal and Administrative Services Branch are the disbursement and reconciliation of Cal Grant funds. CSAC advances funds to the participating institutions shortly before, or at the beginning of, each term (semester or quarter). The amount of the advance is based on the total payments disbursed to all Cal Grant recipients for the same term in the previous award year, as reported to CSAC by the institution, less any unused funds previously advanced during the award year. An award year is the period beginning July 1 through June 30. However, the year is not closed for accounting purposes by CSAC for an additional six months, allowing the institutions additional time to record any unreported payments and adjustments to the Grant Delivery System (GDS) and for CSAC to prepare invoices to the schools for any excess funds that have not yet been remitted back to the State.

Institutions typically apply the funds advanced by CSAC first to the Cal Grant recipient's student account maintained at the school for amounts owed directly to the institution (i.e. tuition, fees, campus housing, etc.). In addition, for certain types of grants, the institution then cuts a check to students for books, supplies, and living expenses. The school is subsequently responsible for reporting to CSAC the amount disbursed for each Cal Grant recipient. CSAC is responsible for monitoring, reconciling, and auditing any differences between total school advances and the amounts disbursed on behalf of each Cal Grant recipient attending the school.

The reconciliation of Cal Grant funds is performed by CSAC through the GDS twice a month and at the end of December following the close of the award year. The twice monthly reconciliations compare the total each institution reported to CSAC as disbursed to Cal Grant recipients against the amount advanced by CSAC to date during the award year. If the amount disbursed by the institution exceeds the amount advanced, a supplemental payment equal to the difference is issued to the institution. In December, at the close of the award year, a final reconciliation is prepared by CSAC. In January, CSAC staff then invoice the institutions for any amounts disbursed to the institutions that exceed the amount reported as paid to Cal Grant recipients. The amount invoiced to schools expected to be refunded to the State for the recently concluded 2004 - 2005 award year was \$2.7 million.

Participating schools also remitted an additional \$2.7 million in excess funding back to CSAC prior to the invoicing process.

The Internal Audit Plan for the two year audit cycle ending December 31, 2007 identified the Cal Grant disbursement and reconciliation functions as areas of potential high risk due to the significant transaction and dollar volumes, in addition to the statutory requirements, the complexity of systems and processes utilized, and the inherent risk involved in making disbursements.

Beginning in October through December 2005, Internal Audit conducted a review of the key activities performed by the Cal Grant Operations Branch and the Fiscal and Administrative Services Branch in disbursing and reconciling Cal Grant funds. In carrying out this effort, Internal Audit reviewed the internal controls and evaluated the efficiency and effectiveness of the two branches' procedures and practices currently used to administer these functions.

Many of the current practices and processes used to administer the Cal Grant Program are documented in the Cal Grants Manual developed by CSAC staff and are intended to be followed by both CSAC and the participating schools. In consultation with the Grant Advisory Committee (GAC), CSAC has developed policies and regulations to carry out the Cal Grant Program as outlined in the Education Code. GAC, which is comprised of 20 members from public and private postsecondary institutions, financial aid administrators, and K-12 school representatives, is responsible for reviewing and providing recommendations to CSAC on major Cal Grant program and policy changes.

During this review, Internal Audit noted three long-standing practices which make the Cal Grant Program difficult to administer and creates inefficiencies (equating to higher costs) and significant risks to the State as follows:

- The amount advanced to schools prior to the start of a new term is not based upon the actual Cal Grant recipients registered to attend the institution for that term but rather upon an amount reported by the school as having been disbursed to all Cal Grant recipients during the same term in the prior year. The prior year disbursement used in this calculation is often not a final adjusted amount. (See additional information in the bullet that follows.) This methodology results in greater disbursements to schools and subsequent refunds to CSAC since advances are not based upon historical information and do not take into consideration the actual enrollment for the current academic year.
- Schools are not required to timely report amounts disbursed to Cal Grant recipients and make any necessary adjustments. The minimum required reporting to CSAC by the schools may occur as late as three and a half months following the end of an award year. An advance to a school made in August for the fall term is not required to be reconciled against actual disbursements to Cal Grant recipients and reported to CSAC until thirteen and a half months later on October 15<sup>th</sup> of the following year.
- Schools are allowed to hold excess Cal Grant funds for several months before CSAC offsets such amounts against advances to the schools for subsequent terms within the same award year or before the institutions return such funds to CSAC. Schools are not required to maintain the funds in interest bearing accounts nor are standard processes in place for CSAC to track and monitor the return of interest earnings to the State.

Internal Audit identified several opportunities to strengthen internal controls and improve business processes, many of which will require changes to the long-standing business practices described above. The opportunities are summarized as follows:

1. Reassess the current methodology of issuing advances and supplemental disbursements to institutions in an effort to improve cash flow for the State.
2. Require institutions to report disbursements and make adjustments prior to the published reporting deadline for each award year. Also, consider implementing additional reporting deadlines at the conclusion of each term.
3. Require institutions to maintain Cal Grant funds in an interest bearing account. Additionally, modify the Grant Delivery System (GDS) to track interest remitted by institutions and develop formal procedures to ensure schools are remitting interest earned on Cal Grant funds.
4. Modify GDS to allow the recording of all refunds from institutions related to a closed award year. Develop formal procedures to require that refunds recorded in CALSTARS (the State's accounting system) be reconciled to GDS and any differences resolved.
5. Document and reinforce established procedures to require institutions to remit all payments directly to the Fiscal and Administrative Branch. Currently, institutions occasionally send payments related to audit findings to the Program Compliance Branch.
6. Implement invoicing and follow-up procedures for collecting amounts owed to CSAC that are consistent with the guidelines defined in the State Administrative Manual (SAM).

CSAC Management notes that any major policy changes to Cal Grant processing may be brought to GAC for review and consultation prior to Commission action and implementation. CSAC staff will also need to amend the Cal Grant Manual to provide clear guidance to the financial aid offices.

Detailed information describing the six recommendations is provided in Section V of this report. The objectives, scope, methodology and key audit procedures used in Internal Audit's effort, along with the findings, recommendations, management's responses and an implementation plan are presented in the remainder of this document. Process flow diagrams depicting the disbursement and reconciliation process activities performed by the Cal Grant Operations Branch and the Fiscal and Administrative Branch is included in Appendix A. Additionally, a copy of the Institutional Participation Agreement (IPA), which defines the school's responsibilities for participating in the Cal Grant program, is included in Appendix B.

## II. Objectives, Scope and Methodology

The key objectives tested during the Disbursement and Reconciliation Review include the following:

- Determine if Cal Grant advances are calculated in accordance with CSAC's procedures and if the current advance amounts issued are warranted.
- Ensure supplemental disbursements are properly calculated.
- Evaluate compliance with the timeframes defined in the Institution Participation Agreement for school reporting of payments and adjustments.
- Validate that disbursements made by CSAC to institutions are properly posted to CALSTARS.
- Ensure that Cal Grant funds not disbursed by institutions for a specific award year are returned to CSAC in a timely manner. Evaluate the procedures for collecting amounts owed from institutions for compliance with statutory requirements.
- Verify that refunds received from institutions are accurately reflected in CALSTARS and GDS.
- Validate that interest earned on Cal Grant funds not yet disbursed by the institutions is remitted to CSAC.

The scope of this review focuses primarily on key activities performed by the Cal Grant Operations Branch and the Fiscal and Administrative Services Branch in processing disbursements and reconciling Cal Grants. These activities include advancing funds, processing disbursements made by institutions, issuing supplemental disbursements, posting disbursements to the accounting system, reconciling and invoicing, and processing refunds from institutions.

A review of the eligibility of Cal Grant recipients and CSAC's compliance with the provisions of the Institutional Participation Agreement (IPA) are not included in the scope of this review, but are planned to be the subject of future reviews conducted by Internal Audit. Additionally, Internal Audit did not perform procedures during this review to test the accuracy of the disbursements and adjustments reported to CSAC by the institutions or their compliance with the provisions of the IPA as CSAC's Program Compliance Branch is responsible for performing such test work.

To meet the aforementioned objectives, Internal Audit examined relevant supporting documentation provided by CSAC, performed tests of recalculations, observed procedures and conducted interviews with the individuals listed in Exhibit 1 on the page that follows.

**Exhibit 1: Personnel Interviewed**

| <b>Staff</b>     | <b>Title - Branch</b>   | <b>Division</b>                              |
|------------------|---|--|
| Max Espinoza     | Division Chief  | Program Administration and Services Division |
| Anne Robertson   | Financial Aid Manager – Cal Grant Operations Branch                   | Program Administration and Services Division |
| Damian Scribner  | Associate Financial Aid Analyst – Cal Grant Operations Branch         | Program Administration and Services Division |
| Jessica Duckens  | Associate Financial Aid Analyst – Cal Grant Operations Branch         | Program Administration and Services Division |
| Bev Kerth        | Financial Aid Analyst – Cal Grant Operations Branch                   | Program Administration and Services Division |
| Robert Illa      | Staff Services Manager – Fiscal and Administrative Services Branch    | Management Services Division                 |
| Gina Heath       | Senior Accounting Officer – Fiscal and Administrative Services Branch | Management Services Division                 |
| Mishelle Aldrich | Accounting Technician – Fiscal and Administrative Services Branch     | Management Services Division                 |
| Edna Ong         | Research Program Specialist – Research and Policy Analysis Branch     | Governmental and Public Affairs Division     |
| John Bays        | Division Chief  | Information Technology Division              |
| Chris DeBortoli  | Associate Program Analyst – Application and Database Support Branch   | Information Technology Division              |
| Penni Doud       | Senior Programmer Analyst – Application and Database Support Branch   | Information Technology Division              |

Source: Internal Audit Department, October – December, 2005

### III. Process Overview

The California Student Aid Commission (CSAC) is responsible for administering various grant programs for students attending public and private universities, colleges, and vocational schools in California. The Cal Grant Operations Branch within CSAC is responsible for administering the operational activities for those state funded grants referred to as Cal Grants with support from the Fiscal and Administrative Services Branch and the Information Technology Services Branch. Two key functions in administering the Cal Grant program are the disbursement and reconciliation of Cal Grant funds. The activities associated with these functions are described below.

#### Advancing Cal Grant Funds

As part of administering the Cal Grant program, CSAC advances money to participating Cal Grant schools to make funds available to students prior to the beginning of the term (semester or quarter). A participating Cal Grant school must be providing instruction in California, be a public post secondary educational institution or a private institution meeting federal guidelines. Additionally, the school must complete an Institutional Participation Agreement (IPA) with CSAC every four years. The IPA defines the school's responsibilities for participating in the Cal Grant program.

Per California Education Code section 69432.8, "The Commission may, on the basis of institutional academic calendars, advance, per term to authorized postsecondary educational institutions, the funds for eligible students who have indicated they will attend those institutions, less an amount based on historical claim enrollment attrition information". It has been CSAC's practice (for over ten years) to advance 95% of the amount that was disbursed to Cal grant recipients by the institution for the same term in the previous academic year. The previously disbursed amounts are tracked by academic year in CSAC's Grant Delivery System (GDS).

Institutions receiving Cal Grant monies are permitted to maintain those funds in either an interest-bearing or non-interest bearing account. If the funds are in an interest bearing account, all interest earned on the funds must be returned to CSAC, however the IPA does not specify the timeframe as to when the interest must be remitted back to the State.

Throughout the award year, the institution credits the Cal Grant recipient's account at the school or disburses the funds directly to the student for paying college related expenses, such as tuition, fees, books and supplies, and student living expenses. An award year is the period beginning July 1<sup>st</sup> through June 30<sup>th</sup>. However, schools are given an additional six months to report any and all payments and adjustments related to the entire award year. If a school did not participate in the Cal Grant program during the previous academic year, the school must report to CSAC an estimate of the cost for the student to attend the institution and any disbursements already made to the student prior to CSAC disbursing the funds.

## **Reporting Disbursements**

Each year, CSAC utilizes information from each student's Free Application for Federal Student Aid (FAFSA)<sup>1</sup> and school verified grade point average (GPA) to create a Cal Grant roster in GDS for each institution. The roster lists the eligible Cal Grant recipients who plan to attend or return to the school for the specified award year and their associated award amount. Each student eligible for a Cal Grant award is placed on the roster of the first participating California school listed on the student's FAFSA.

Since 2002 institutions have had the ability to update their Cal Grant roster using WebGrants, a web-based application hosted by CSAC that allows authorized users at the schools to access GDS using the internet. Institutions utilize WebGrants to report to CSAC all disbursements made on behalf of the Cal Grant recipients by posting transactions on their Cal Grant roster throughout the award year. In addition to payment transactions, institutions may also update their Cal Grant roster when students transfer to or from their school or changes their enrollment status (full-time to part-time). Additionally, in the fall of 2005, students were provided access to an online application called WebGrants For Students to view their current grant status and grant history, as well as update their address or change their school of attendance.

## **Processing Disbursements Made by Institutions**

The weekly GDS production cycle processes the transactions electronically reported by institutions during the week and updates the grant rosters accordingly. An Accept/Reject Report that contains summary and detailed information on both the accepted and rejected transactions is produced for each institution and made available to the schools through WebGrants. Typical reasons that transactions are rejected by the system include the following: the institution has not reported unmet financial need for renewal students to CSAC, the student has already received Cal Grant funds from another school during that term, or the payments reported by the school for that student exceed the award amount.

Staff in the Cal Grant Operations Branch review the rejected transactions from each week and make corrections where there is sufficient information to allow them to do so. GDS maintains a history of the changes and the user identification of the individual making the update. The schools, however, are ultimately responsible for reviewing the reject report each week, resolving the errors, including making necessary corrections in WebGrants, and resubmitting the transactions for processing during the next weekly reporting cycle. Cal Grant Operations staff represented that nearly all rejected transactions are corrected within a week.

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<sup>1</sup> FAFSA is a federal form that must be filed by any student who wants to be considered for financial aid. The form reports household and financial information as well as the student's choice of schools. The FAFSA is the foundation document for all federal need analysis computations.

### **Issuing Supplemental Disbursements**

Twice a month, GDS processes the accepted transactions from the weekly production cycle described above and updates the total amounts reported by each institution for the term. GDS also produces a Payment Activity Report summarizing all disbursements to the institution and the total reconciled payment transactions reported from the school for the award year. If the total amount reported by the institution as being disbursed to Cal Grant recipients for the term exceeds the amount advanced for that term, additional funds will be sent to the school (referred to as a “supplemental payment”). GDS then creates a file of supplemental payments, which is reviewed by the Associate Financial Aid Analyst in the Cal Grant Operations Branch to verify that the total amount of supplemental payments is correct and the files are properly formatted for subsequent processing. Next, GDS generates a claim schedule which is a detailed listing of supplemental payments to be disbursed by institution. The Associate Financial Aid Analyst sends the Associate Programmer Analyst in CSAC’s Information Technology Services Division (ITSD) an e-mail requesting the file of supplemental payments be transferred to tape at the State of California’s Stephen P. Teale Data Center (Teale Data Center). The Associate Financial Aid Analyst then signs the claim schedule, records the tape reel numbers on the document and forwards it to CSAC’s Fiscal and Administrative Services Branch Manager for approval. The approved claim schedule is sent by courier to the California State Controller’s Office (SCO), authorizing payment to the schools. SCO staff access the tape at the Teale Data Center using information on the claim schedule and generate the warrants or electronic fund transfer (EFT) to the schools. The next day, the SCO sends CSAC an email confirming that the claim schedule and payment tape were received and processed. The Associate Financial Aid Analyst sends an email notifying ITSD staff to initiate the GDS process that generates an email to the schools informing them that they should be receiving their EFT funds.

### **Recording Disbursements to the Accounting System**

The Fiscal and Administrative Services Branch is responsible for recording all Cal Grant disbursements into CALSTARS, the statewide accounting and reporting system. The Senior Accounting Officer initially records the disbursement amount from the claim schedules to a suspense account (Grant Streamlining Account) in CALSTARS because the claim schedule does not provide a detail of the amounts disbursed by type of grant (e.g., Cal Grant A, B or C). At the end of each month, the Associate Financial Aid Analyst provides the Senior Accounting Officer with the GDS Payment Activity Report which details the specific amount disbursed for each of the three Cal Grant programs. The Senior Accounting Officer then reverses the amounts in the Grant Streamlining Account and applies the amounts to the specific Cal Grant program accounts in CALSTARS.

### **Year-End Reconciliation and Invoicing**

The Cal Grant Institution Participation Agreement between CSAC and the schools requires institutions to make all disbursements to Cal Grant recipients no later than September 30th following the end of the award year. Any institution in possession of Cal Grant funds that have not been disbursed to students after that date is required to return those funds to CSAC. The institutions are then required to report to CSAC those amounts disbursed to Cal Grant recipients no later than October 15th following end of the award year. However, if at any time during the award year, an institution determines that they have excess Cal Grant funds, schools are encouraged to refund the money back to CSAC’s Fiscal and Administrative Services Branch prior to the end of the award year.

Each year, during the first week of November, the Cal Grant Operations Branch obtains copies of all refund checks remitted by the institutions during the award year and the months that follow from Fiscal and Administrative Services. Staff review the checks to ensure that the payments were posted correctly to GDS. Each year in December, a report is run to determine the final account balance owed from each institution. ITSD staff create draft invoices for those institutions with outstanding balances owed to CSAC. Cal Grant Operations staff review the draft invoices for reasonableness. In January, ITSD then prints the final invoices along with a cover letter stating the award year to which the invoice relates, the amount owed and a request to remit the payment to CSAC within 30 days. Once the cover letters and invoices are mailed, Cal Grant Operations staff run weekly queries on GDS to monitor which institutions have paid their invoice. Staff periodically call those institutions that have not remitted payment. Internal Audit noted that out of the 139 institutions invoiced for the 2003-2004 award year, 116 paid within 60 days of being invoiced. Additionally, as of December 2005, the date which Internal Audit concluded the test work for this review, approximately \$102,000 of the \$3.6 million invoiced related to the 2003-2004 award year remained outstanding from seven institutions.

The Cal Grant Operations Branch and the Fiscal and Administrative Services Branch recently proposed a new strategy to improve the invoicing procedures and the collection of outstanding invoice balances. This proposal is currently being evaluated for approval by CSAC management. A few highlights of this proposal are listed below:

- Newly developed, short-term procedures have been implemented to improve the invoicing process. These short-term procedures include a revised cover letter detailing the institution's responsibilities and mailing a copy of the invoice and cover letter to the financial aid office as well as the fiscal office rather than one, institutionally designated, contact.
- Issuance of 30 day past due notice – A notice will be sent to those institutions who have not paid within 30 days of being invoiced. This notice warns the institution that all processing of Cal Grant transactions will cease if the balance is not paid within 30 days of the notice. This notice and following notices will be sent to the institution's chief executive officer. In addition CSAC staff will make follow-up telephone calls to the institution.
- Issuance of 60 day past due notice – If an institution has not remitted payment within 60 days of being invoiced, a notice will be sent to notify the school that CSAC has ceased processing all Cal Grant payment transactions. This notice warns the institution that future term advances will be withheld if the balance is not paid within 30 days of the notice.
- Issuance of 90 day past due notice – If an institution has not remitted payment within 90 days of being invoiced, a notice will be sent to notify the school that CSAC will withhold term advances for future academic years. Additionally, the notice warns the IPA will be terminated in 30 days if the invoice is not paid.
- Issuance of 120 day past due notice – If an institution has not remitted payment within 120 days of being invoiced, a notice will be sent to notify the school that their IPA has been terminated and the school is no longer eligible to administer the Cal Grant Program. The Cal Grant students attending the now ineligible institution will be sent a letter and appropriate forms to request a school change or leave of absence.

## **Receiving and Processing Refunds from Institutions**

Daily, the EDFUND Mail Center delivers mail from CSAC's post office box to the Fiscal and Administrative Services Branch. The branch's Office Technician opens the envelopes and removes the refund checks along with any supporting documentation. The checks are logged into an Excel spreadsheet which lists the following items: date received, maker, bank routing number, check account number, payee, check date, check number and amount. The checks are then photo copied and date stamped. All checks and copies are then hand delivered to the Accounting Technician.

The Accounting Technician then runs an adding machine tape of the checks and restrictively endorses each check with an endorsement stamp. The Accounting Technician generates a State Treasurer's Office deposit slip. The checks and deposit slip are then hand carried to a Senior Accounting Officer who verifies the deposit total and that all the checks are endorsed, and then initials the deposit slip. The Accounting Technician puts the checks and deposit slips in an envelope then gives the deposit envelope to the EDFUND mail courier who takes the deposit envelope to EDFUND's Finance and Administration Division. The deposit envelope is placed in a sealed bank deposit bag and then picked up by a courier. The courier delivers the sealed deposit bag to the bank where the funds are subsequently transferred to the State Treasury. The Accounting Technician records the refund in CALSTARS files check copies and deposit slip copies. The Office Technician updates the Excel spreadsheet with the deposit slip number.

If the check is not for a payment of an invoiced amount or a Program Compliance Branch audit finding, the Accounting Technician contacts the Associate Financial Aid Analyst to research the nature of the payment. The Associate Financial Aid Analyst researches GDS to determine the award year to which the payment applies. If the payment relates to the current award year and GDS reflects an outstanding balance for the institution, the Accounting Technician applies the payment to GDS and CALSTARS. If GDS does not reflect an outstanding balance due from the institution, whether the academic year is open or closed, the check is recorded as an abatement in CALSTARS and the institution's account is not updated in GDS. The payment information is recorded in the individual student's file and program eligibility is increased or decreased as applicable.

## IV. Key Audit Procedures

Numerous audit steps were completed by Internal Audit to review the internal controls and evaluate the efficiency and effectiveness of procedures and practices currently used to carry out activities associated with disbursing and reconciling Cal Grants. Key audit procedures executed along with the results are presented in Exhibit 2 below and on the pages that follow.

**Exhibit 2: Key Audit Procedures Performed and Test Results**

| Audit Objective   | Key Procedures Performed  | Results  |
|---|---|--|
| <p><b>A.</b> Determine if Cal Grant advances are calculated in accordance with CSAC's procedures and if the current advance amounts issued are warranted.</p> | <p>Obtained the following:</p> <ul style="list-style-type: none"> <li>▪ Grant Payment Extract files containing the disbursements reported by institutions from GDS for 2003-2004 and 2004-2005 award years.</li> <li>▪ Grant Advance Table containing the payments CSAC made to institutions from GDS for 2003-2004 and 2004-2005 award years.</li> <li>▪ Payment Activity Report showing disbursements made by institutions and by CSAC to institutions for the fall term of the 2004-2005 award year</li> </ul> <p><b>A.1</b> Using audit analysis software (ACL), summed the total each institution reported as disbursed to Cal Grant recipients for the spring term in the 2003-2004 award year.</p> <p>Calculated the advance amount for each institution for the 2004-2005 spring term by multiplying the total each institution reported as disbursed for the spring term of the prior award year by 95%, and then subtracted any balance remaining from the previous term advance in the institution's account for the same award year. Compared the calculated amounts to the actual amount advanced to each institution for the spring 2004-2005 term.</p> | <p><b>A.1</b> The advance amount calculated by Internal Audit agreed to the amount CSAC advanced to the institutions during the spring term for all but five of the 350 institutions tested. The five cases where differences were identified are documented below.</p> <ul style="list-style-type: none"> <li>▪ Two of the five instances, were related to a new CSU campus that had previously operated as an extension campus of another CSU campus. After considering the payments reported by the two campuses collectively, Internal Audit was able to recalculate the amount advanced by CSAC.</li> <li>▪ In the third instance, Internal Audit reviewed documentation</li> </ul> |

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| Audit Objective | Key Procedures Performed | Results   |
|-----------------|--------------------------|---|
|                 |                          | <p>sent to CSAC by a CSU campus requesting an advance above the standard 95% amount for the spring 2005 term. The institution represented to CSAC that the current advance level would not be sufficient based on their projected attrition and enrollment estimates and would likely cause delays in disbursements to their students. Internal Audit reviewed the documentation indicating that Cal Grant Operations Staff analyzed the amounts the institution had disbursed in the previous term, which appeared to warrant the increase requested. As a result, the Financial Aid Manager of the Cal Grant Operations Branch authorized the request.</p> <ul style="list-style-type: none"> <li>▪ In the fourth and fifth instances, the amount calculated by Internal Audit did not agree to the amount advanced by CSAC. Based on Internal Audit's calculations, CSAC should have advanced an additional \$490 and \$735, respectively, to two institutions. Cal Grant Operations Branch staff could not account for the difference and agree that the amounts calculated by Internal Audit represented the actual amount that should have been advanced. However, Internal Audit concluded that the \$1,225 that was not advanced is not a material in comparison to the approximately \$724 million disbursed by the institutions in the 2004-2005 award year.</li> </ul> <p align="right"><i>No material exceptions noted.</i></p> |

| Audit Objective   | Key Procedures Performed   | Results  |
|---|--|--|
|   | <p><b>A.2</b> Using ACL, extracted all records in the Grant Advance Table for the 2003-2004 and 2004-2005 award years where the amount advanced to each institution, as calculated by CSAC, exceeded the amount reported by the institution as disbursed to Cal Grant recipients.</p> <p><b>A.3</b> Selected a sample of ten institutions that received an advance payment for the fall term of the 2005-2006 award year. For each institution sampled, reviewed the fall 2004-2005 Payment Activity Report to determine the amount of reconciled payments the institutions reported for that term. Summed the payments from the fall term of the 2004-2005 award year and recalculated the advance amount to ensure that the institution received 95% of that amount for the fall 2005-2006 term advance.</p> | <p><b>A.2</b> Internal Audit identified 457 instances where 230 institutions received term advances that exceeded the total amount that the institution reported to CSAC as disbursed to Cal Grant recipients. The excess amounts advanced were offset against future advances and/or supplemental disbursements issued in subsequent terms or refunded to CSAC.</p> <p><i>See Section V. Findings and Recommendations – Finding 1</i></p> <p><b>A.3</b> Internal Audit determined that all institutions sampled received the correct advance disbursements during the fall 2005-2006 term.</p> <p><i>No exceptions noted.</i></p> |
| <p><b>B.</b> Ensure supplemental disbursements are properly calculated.</p> | <p><b>B.1</b> Compared the payments reported by the institution during the fall term of the 2005-2006 award year against the amount advanced for that same term to determine if a supplemental payment to the institution was warranted. For those institutions entitled to a supplemental disbursement, Internal Audit verified that the supplemental disbursement was equal to the difference between the amounts advanced and the amount reported for the fall term of the 2005-2006 award year.</p>  | <p><b>B.1</b> Based upon the disbursements to Cal Grant recipients, as reported by the institutions, Internal Audit determined that all schools that were entitled to receive a supplemental payment during the fall term of the 2005-2006 award year received the correct amount.</p> <p><i>No exceptions noted.</i></p>  |

| Audit Objective  | Key Procedures Performed  | Results  |
|--|---|--|
| <p>C. Evaluate compliance with the timeframes defined in the Institution Participation Agreement for school reporting of payments and adjustments.</p> | <p><b>C.1</b> Using ACL, selected all records from the Grant Payment Extract file, for the 2003-2004 and 2004-2005 award years (using data through the end of November 2005 which was the latest data available at the time of Internal Audit’s test work) where the payment status date was subsequent to the October 15 reporting deadline defined in the Institution Participation Agreement (IPA).</p> <p><b>C.2</b> Using ACL, selected all records from the Grant Payment Extract file, for the 2003-2004 and 2004-2005 award years (using data through the end of November 2005 which was the latest data available at the time of Internal Audit’s test work) where the adjustment date was subsequent to the October 15 reporting deadline defined in the Institution Participation Agreement (IPA).</p> | <p><b>C.1</b> Internal Audit determined that out of the 554,390 disbursements to Cal Grant recipients reported by institutions in the 2003-2004 award year, 8,581 were reported after the October 15 deadline. For the 2004-2005 award year, 8,910 of the 610,592 disbursements were reported after the October 15 deadline.</p> <p>Based on the combined number of disbursements reported during the 2003-2004 and 2004-2005 award years, Internal Audit noted that 269 out of 373 institutions (or 72%) reported payment transactions after the October 15<sup>th</sup> deadline in one or both award years.</p> <p><i>See Section V. Findings and Recommendations – Finding 2</i></p> <p><b>C.2</b> Internal Audit determined that there were approximately 234,000 adjustments made by institutions during the period reviewed (approximately 111,000 related to the 2003-2004 award year and 123,000 related to the 2004-2005 award year). Further, Internal Audit determined that 7,082 out of the 111,000 adjustments were reported after the October 15 deadline for the 2003-2004 award year. For the 2004-2005 award year, 6,272 of the 123,000 adjustments were reported after the October 15 deadline.</p> <p>Based on the combined number of adjustments reported during the last two award years, Internal Audit noted that, of the 373 institutions that made adjustments during one or both award years, 260 (or 70%) reported such activity after the October 15<sup>th</sup> reporting deadline.</p> |

| Audit Objective  | Key Procedures Performed   | Results   |
|--|--|---|
|  |  | <p align="center"><i>See Section V. Findings and Recommendations – Finding 2</i></p>  |
| <p><b>D.</b> Validate that disbursements made by CSAC to institutions are properly posted to CALSTARS.</p>   | <p>Selected a sample of 40 claim schedules processed during fiscal year 2003-2004 and 2004-2005.</p> <p><b>D.1</b> Verified that the amount reported on the claim schedule was posted to the CALSTARS Grant Streamlining account.</p> <p><b>D.2</b> Reviewed the process in which funds are reversed from the CALSTARS Grant Streamlining account and posted into the proper Cal Grant fund account. Selected the month of October 2005 and verified that amounts were properly reversed from the Grant Streamlining Account and applied to the appropriate fund account.</p>  | <p><b>D.1</b> Internal Audit reviewed 40 claim schedules and found that all the payments were properly posted to the CALSTARS Grant Streamlining account.</p> <p align="center"><i>No exceptions noted.</i></p> <p><b>D.2</b> Internal Audit noted that funds were properly reversed from the Grant Streamlining account and applied to the proper Cal Grant fund account.</p> <p align="center"><i>No exceptions noted.</i></p>  |
| <p><b>E.</b> Ensure that Cal Grant funds not disbursed by institutions for a specific award year are returned to CSAC in a timely manner.</p> <p>Evaluate the procedures for collecting amounts owed from institutions for compliance with statutory requirements.</p> | <p>Obtained the GDS payment records and a list of schools which were issued invoices for the 2003-2004 award year from Cal Grant Operations staff.</p> <p><b>E.1</b> Using ACL, recalculated the invoice amounts for the 2003-2004 award year by performing the following:</p> <ul style="list-style-type: none"> <li>▪ Summarized all the advances and supplemental payments by institution from the Grant Advance table.</li> <li>▪ Summarized all the disbursements to Cal Grant recipients by institution from the Grant Payment Extract.</li> <li>▪ Summarized all the refunded advance amounts by institution</li> </ul> | <p><b>E.1</b> Based on Internal Audit’s calculations, 139 of the approximately 370 institutions tested owed funds to CSAC and should have been issued invoices. CSAC issued invoices to all 139 of these institutions. Internal Audit, however, determined that one invoice was issued for \$581, however GDS indicates the amount invoiced should have been \$2,093. CSAC Management represented that the correct amount was invoiced and the difference is the result of an keying error of \$1,512 that occurred in an award year which is now closed, and therefore</p> |

| Audit Objective   | Key Procedures Performed  | Results  |
|---|---|--|
|   | <p>from Grant Advance table.</p> <ul style="list-style-type: none"> <li>▪ Subtracted the disbursements to Cal Grant recipients reported by the schools from the advances and supplemental payments made to institutions, less any payment amounts returned by the institution during the period.</li> </ul> <p><b>E.2</b> For each institution issued an invoice, reviewed the payment file to determine if the institution remitted the invoice amount in a timely manner.</p> <p><b>E.3</b> Reviewed the follow-up procedures performed by CSAC staff to collect amounts owed from the institutions for compliance with the practices defined in SAM.</p> | <p>cannot be corrected in GDS. The correct amount was invoiced and paid.</p> <p><i>No material exceptions noted.</i></p> <p><b>E.2</b> Internal Audit noted that 116 of the 139 institutions invoiced at the conclusion of the 2003-2004 award year paid the balance owed within 60 days of being invoiced. Seven institutions invoiced, for a total of \$102,000, had not repaid the amounts due by December 2005. Additionally, as part of this review Internal Audit noted that there were 30 institutions that had outstanding balances totaling approximately \$187,000 from previous award years. Some of the outstanding balances date back as far as 1995.</p> <p><i>See Section V. Findings and Recommendations – Finding 6</i></p> <p><b>E.3</b> Internal Audit noted that the Cal Grant Operations Branch merely calls those institutions that have delinquent invoice amounts. CSAC current practice to follow-up on schools with delinquent invoice amounts does not meet the criteria outlined in SAM.</p> <p><i>See Section V. Findings and Recommendations – Finding 6</i></p> |
| <p><b>F.</b> Verify that refunds received from institutions are accurately reflected in</p> | <p>Obtained a list of refunds from schools for the 2004-2005 award year from Cal Grant Operations staff. Selected a sample of 20 refunds.</p>   |  |



**Disbursement and Reconciliation Review**

| <b>Audit Objective</b> | <b>Key Procedures Performed</b> | <b>Results</b>  |
|------------------------|---------------------------------|---|
|                        |                                 | <p>received Cal Grant funds remitted interest payments, totaling \$175,298 from January 1, 2004 through December 31, 2004. Internal Audit recognizes that the Program Compliance Branch staff perform procedures during their field audits to determine if institutions are remitting interest income for Cal Grant funds to CSAC. However, fewer than 50 institutions are reviewed each year.</p> <p>Additionally, Internal Audit noted that for those interest payments received from the institutions, no mechanism exists in GDS to record interest payments.</p> <p><i>See Section V. Findings and Recommendations – Finding 3</i></p> |

Source: Internal Audit Department, October – December 2005

## V. Findings, Recommendations and Management's Responses

Internal Audit's findings and recommendations along with management's responses resulting from this review are provided below.

**Finding #1 – The current practice of disbursing funds does not effectively manage the state's cash flow resulting in excess funds being disbursed to and held by institutions.**

The California Education Code section 69432.8 makes provisions for CSAC to advance funds to institutions. CSAC's current practice, in place for more than ten years, is to advance to an institution 95% of the amount that was disbursed to Cal Grant recipients by the institution for the same term in the previous academic year. For example if an institution reported disbursements for the fall term of the 2002-2003 award year of \$100,000, they would receive a 2003-2004 fall term advance of \$95,000 (\$100,000 x 95%).

For the 2003-2004 and 2004-2005 award years, Internal Audit identified 457 instances where 230 institutions received term advances that exceeded the total amount that the institution reported to CSAC as disbursed to Cal Grant recipients. The excess amounts advanced for these 457 instances were offset against the advances and/or supplemental disbursements issued in subsequent terms or were later refunded to CSAC.

The Cal Grant Manual states that in the January, following the close of the award year, institutions that owe funds back to the State as a result of the final reconciliation will be sent an invoice. However, at any time during the award year when a school identifies that excess funds were received through advances and supplemental payments, those funds can be returned to CSAC. Internal Audit determined that in the 2003-2004 award year, institutions owed approximately \$5.8 million to CSAC. Of the \$5.8 million, \$1.96 million was refunded by institutions prior to the close of the award year before CSAC's invoicing process occurred and \$3.87 million was invoiced by CSAC in January 2005. Similarly, for the 2004-2005 award year, institutions owed approximately \$5.4 million to CSAC, of which \$2.7 million was refunded by institutions prior to the close of the award year before CSAC's invoicing process occurred and \$2.7 million was invoiced by CSAC in January 2006. The current methodology for issuing advances and supplemental disbursements allows schools to maintain state funds in excess of those needed for disbursements to Cal Grant recipients for several months. In one of the instances identified by Internal Audit for example, an institution was advanced \$99,375 for the fall term in August 2004 and did not report any student payments for that award year. The school, however, did refund that amount in April 2005. As a result, the institution had the use of \$99,375 for eight months before it was returned to CSAC.

**Recommendation #1 - Reassess the current methodology of issuing advances and supplemental disbursements to institutions in an effort to improve cash flow for the State.**

CSAC should reevaluate the current methodology for issuing advances and supplemental disbursements to determine the best way to effectively manage the State's cash flow and reduce the excess funds being disbursed to institutions. Consideration should be given to the following methods:

- Calculate term advances to institutions based on final reconciled amounts disbursed to Cal Grant recipients. The current process for calculating term advances for those terms that begin before the previous award year is finalized rely on disbursements reported by institutions that are still subject to adjustment by the institution. For example, the fall term advance for the 2005-2006 award year, disbursed in August 2005, is computed based on the amounts disbursed and reported for the fall 2004 term. It should be noted that amounts reported as disbursed for the fall 2004 term were not finalized and, therefore, were subject to additional reporting and/or adjustments until the final reconciliation was performed in December 2005.
- Reduce the current 95% advance to institutions to a lower percentage.
- Advance only those funds to institutions needed for non-tuition disbursements that are paid directly to Cal Grant recipients such as for books, supplies, and other expenses. CSAC should issue a payment for the tuition and fees, which are generally credited to the Cal Grant recipient's account at the school, upon notification from the institution that the disbursement has been made. Based on data from the 2003-2004 and 2004-2005 award year, the amount advanced to institutions could have been reduced by as much as 70%.
- Eliminate advances to institutions all together and instead only make payments based on actual costs incurred as reported by the institutions. The current technology in use, including on-line reporting and funds delivery through electronic fund transfers (EFT), allows for a fairly short turnaround time to deliver funds to institutions.

*Management's Response to Recommendation 1 – CSAC Management agrees a reevaluation of the advance and supplemental advance process is appropriate given the increase in program participants and funding over the last 10 years. Since March 2005, CSAC Management has been meeting to discuss the development of new policies regarding the advance process and is seriously considering all the options detailed in the Audit Report and others provided by CSAC staff. CSAC staff intends to present their recommendations for implementing the audit findings to the Commission at regularly scheduled Commission meetings during the 2006 calendar year.*

**Finding #2 - The timeframes in which institutions report disbursements and adjustments to CSAC often exceed the date defined in the Institution Participation Agreement (IPA), creating cash flow issues and impacting CSAC's ability to effectively forecast future cash flow needs.**

The Institution Participation Agreement (IPA) between the schools and CSAC states that it is the institutions' responsibility to reconcile all Cal Grant funds received and disbursed to students by no later than the October 15<sup>th</sup> following the end of the award year. This timeframe allows the institutions up to approximately 10 months to finalize their reporting of fall term activity (assuming that the fall term ends in mid December), which creates cash flow issues. Furthermore, the Cal Grant Manual, a procedures manual developed by CSAC staff to assist schools' in administering the Cal Grant

Program, states that institutions may continue to resolve any outstanding payment issues and report payments and adjustments to CSAC during the months of October and November. Thus, there is an inconsistency between the reporting deadlines between the IPA and the Cal Grant Manual.

A high volume of adjustments are made by schools to the Grant Delivery System. For the last two award years combined there were approximately 234,000 adjustments recorded in GDS. Approximately 102,000 of these adjustments were the result of changes in student enrollment status from full-time to part-time. Approximately 50,000 adjustments were the result of eligible Cal Grant recipients opting to defer their award for use at a later time. Additionally, over 38,000 adjustments were made to reduce the award amount when the actual cost of a program was less than the Cal Grant amount awarded.

Through an analysis of data extracted from GDS for the 2003-2004 and most of the 2004-2005 award years (based on the date of Internal Audit's test work), Internal Audit noted that 17,491 disbursements were reported and 13,354 adjustments made by institutions after the October 15<sup>th</sup> reporting deadline for both award years combined. Based on Internal Audit's test work, 269 of the 373 institutions (or 72%) that reported payments and/or made adjustments during one or both award years reported such activity after the October 15<sup>th</sup> reporting deadline. For example, upon review of the December 16, 2005 Payment Activity Report for the 2004-2005 award year, Internal Audit noted that one institution reported an additional \$33,713 in student payments in December 2005 for the 2004 fall term, approximately 12 months after the term ended. Additionally, another institution reported \$93,698 in adjustments in November 2005 for the 2004 fall term, approximately 11 months after the term ended.

Internal Audit also noted several instances where institutions reported payments to CSAC before they actually disbursed the funds to Cal Grant recipients. Currently, an institution can report a full time student disbursement in August for the spring term when they may actually not disburse the funds to the student until the spring term begins the following January or possibly not at all should the student transfer to another school. Although the transaction is suspended in GDS and not processed until after the spring advance is issued, the fact that the institution reported the payment often results in an adjustment, because the institution has no way of knowing the actual amount of the disbursement that they will eventually make to a student.

The lack of timely reporting of payments by the institution, in conjunction with the large number of adjustments that occur well beyond the end of the term to which they apply, makes the task of effectively forecasting cash flow needs extremely difficult for CSAC staff.

**Recommendation #2 - Require institutions to report disbursements and make adjustments prior to the published reporting deadline for each award year. Also, consider implementing additional reporting deadlines at the conclusion of each term.**

CSAC should develop and implement procedures limiting institutions from reporting payments more than 30 days prior to the beginning of a term. Additionally, the institutions should be required to perform the final reconciliation of disbursements to Cal Grant recipients within 30-60 days of the end of each term. GDS should also be modified to limit an institution's ability to report payments or make adjustments beyond 30-60 days subsequent to the end of the term. This would require institutions to report disbursements and adjustments in a more timely manner and allow CSAC to offset remaining funds already paid to the institutions when making subsequent term advances and supplemental

payments. However, CSAC staff should still have the ability to make adjustments in GDS beyond the time period which the schools are permitted in order to resolve any extra ordinary situations reported by the institutions. Implementation of this recommendation should curtail the large number of adjustments made in GDS, and therefore reduce the need to invoice institutions at the conclusion of the award year.

*Management's Response to Recommendation 2 – CSAC Management concurs that a reassessment of payment reporting deadlines is in order. To this end, CSAC management and staff have been meeting approximately every two weeks since November 2005 to consider all available options with regard to the disbursement process. The recommendations given in the Audit report have already been incorporated into a staff proposal for enhancing the disbursement process as possible alternatives to the current disbursement process. CSAC staff intends to present their recommendations for implementing the audit findings to the Commission at regularly scheduled Commission meetings during the 2006 calendar year.*

**Finding #3 - There is no mechanism in place to ensure the collection, tracking and reporting of interest earned on Cal Grant funds by institutions.**

Internal Audit found that CSAC does not have procedures for institutions to report interest payments, nor do they know which institutions owe interest. For those institutions that are remitting interest, CSAC does not have a method to track interest payments received. The Institutional Participation Agreement (IPA) requires schools to remit any interest earned from Cal Grant funds deposited in interest earning accounts. However, CSAC does not have any procedures or processes in place to ensure that schools are remitting such interest. CSAC's Program Compliance Branch performs procedures during their field audits to determine if institutions are remitting interest income from Cal Grant funds to CSAC. However, given Program Compliance's limited resources, only 50 of the approximately 370 institutions are reviewed each year. Of the 52 institutions reviewed during fiscal year 2004-2005, the branch auditors found that 10 of the schools failed to remit interest earned.

Internal Audit determined that only 40 institutions (virtually all of which were public schools), out of the 370 that received Cal Grant funds, remitted interest payments of \$175,298 from July 1, 2004 through June 30, 2005. However, in the 2004-2005 award year, CSAC disbursed approximately \$724 million to institutions through advances and supplemental payments. According to the State Administrative Manual Section 8099, the State earns approximately \$27 on each million dollars per calendar day for each 1% of interest earning rate. For instance, interest of \$39,096 would be earned on \$724 million at 2% of interest in one day. In the 2004-2005 award year, CSAC disbursed approximately \$264 million for the fall 2004 advance on August 9<sup>th</sup>, roughly two weeks prior to the beginning of the fall term for most institutions. For illustration purposes, assuming all schools deposited the advance into an interest bearing account, interest earnings on the fall advance for those 14 days alone would have totaled approximately \$199,584, exceeding the amount of interest CSAC recognized for the entire 2004-2005 award year (assuming an interest rate of 2% and no payments were made to Cal Grant recipients during this period).

**Recommendation #3 - Require institutions to maintain Cal Grant funds in an interest bearing account. Additionally, modify the Grant Delivery System (GDS) to track interest remitted by institutions and develop formal procedures to ensure schools are remitting interest earned on Cal Grant funds.**

In order for the Cal Grant Operation Branch staff to know which institutions owe interest to CSAC and to ensure interest payments are received from institution, the branch should:

- Establish procedures for institutions to report interest payments.
- As a part of the Institution Participation Agreement (IPA), require institutions to maintain Cal Grant funds in an interest bearing account.
- Modify GDS and create a field to record interest remitted by institutions.
- Establish procedures to at least annually ensure schools are remitting interest income. For example, require institutions to submit an Internal Revenue Service Form 1099 reporting interest earned annually (assuming the school maintains the funds in a separate bank account). Alternatively, in addition to the institutions being reviewed by the Program Compliance Branch, Cal Grant Operations staff should select a sample of institutions and, based on the payments advanced, perform tests to determine the reasonableness of the interest amounts that should be received.

*Management's Response to Recommendation 3 – CSAC Management recognizes the fiscal advantage to the General Fund of requiring participating schools to maintain their Cal Grant funds in an interest bearing account. CSAC Management also recognizes this proposal will increase the workload at both CSAC and institutional levels. This recommendation will be given serious consideration by CSAC Management, as are the costs associated with modifying GDS and the increased workload. CSAC staff intends to present their recommendations for implementing the audit findings to the Commission at regularly scheduled Commission meetings during the 2006 calendar year.*

**Finding #4 - Refunds received from schools can not always be recorded in GDS.**

Internal Audit reviewed 20 refunds received from institutions from January 1, 2004 through December 31, 2005 and found that, although all the refunds were properly reported in CALSTARS, only four were recorded in GDS. The Cal Grant Operations Branch staff represented that GDS only accepts refund transactions if the system reflects an amount owed from the institution at the time the credit is posted. Additionally, it was noted that by system design, once the award year is closed, refunds or payments and adjustments from institutions cannot be posted to GDS. Therefore, refund amounts returned to the State for a prior year are currently not recorded in GDS. Furthermore, without having all refund transactions recorded in GDS, CSAC cannot reconcile CALSTARS with GDS.

**Recommendation #4 - Modify GDS to allow the recording of refunds from institutions related to a closed award year. Develop formal procedures to require that refunds recorded in CALSTARS (the State's accounting system) be reconciled to GDS and any differences resolved.**

The Cal Grant Operations Branch should request that GDS be modified to allow all refund payments to be recorded in the system to properly account for Cal Grant funds. The Fiscal and Administrative Services Branch should ensure that all Cal Grant refunds are posted to both CALSTARS and GDS. Additionally, the summary level detail of Cal Grants maintained in CALSTARS should be periodically reconciled to the student detail in GDS to ensure all transactions are properly recorded and accounted for.

*Management's Response to Recommendation 4 – CSAC Management recognizes the need for CALSTARS to reconcile with GDS and agrees to begin a study of the costs associated with modifying GDS to accept closed year refunds and manual payments. CSAC staff intends to present their recommendations for implementing the audit findings to the Commission at regularly scheduled Commission meetings during the 2006 calendar year.*

**Finding #5 - Refunds are not consistently handled in accordance with established procedures.**

The Fiscal and Administrative Branch's established procedure for receiving cash receipts requires that all checks remitted to CSAC be sent to the branch's post office box. The mail room delivers the mail to the branch and checks are opened and recorded immediately in a controlled environment by various independent staff to help ensure that no checks are lost or misappropriated. While performing test work on refunds, Internal Audit noted that occasionally refund checks related to audit findings are received by the Program Compliance Branch from the institutions. Specifically, Internal Audit determined that during fiscal year 2004-2005, \$731,870 in refund checks remitted from institutions as a result of Program Compliance audit findings, were sent directly to the Program Compliance Branch P.O. Box or address in order for Program Compliance staff to document the receipt of the check and clear their audit findings. These checks were opened by the Program Compliance Branch staff outside of the controlled environment and then hand carried across the street to the Fiscal and Administrative Branch. This process does not follow the procedures that the Fiscal and Administrative Branch established to help prevent the loss or misappropriation of funds.

**Recommendation #5 - Document and reinforce established procedures to require institutions to remit all payments directly to the Fiscal and Administrative Branch. Currently, institutions occasionally send payments related to audit findings to the Program Compliance Branch.**

All funds remitted to CSAC should be sent directly to the post office box established for the Fiscal and Administrative Branch and processed through the established cash receipt process. Moreover, the Program Compliance Branch should cease its practice of allowing remittance checks to be sent directly to their post office box or address. The Fiscal and Administrative Branch should notify the Program Compliance Branch when funds related to audit findings are received so that these findings can be cleared.

*Management's Response to Recommendation 5 – The Commission's Program Compliance Branch within the Management Services Division has established procedures to require institutions to remit all payments directly to the Accounting Office.*

**Finding #6 - CSAC lacks procedures, as required by the State Administrative Manual (SAM), to collect amounts owed from institutions.**

Every January, CSAC produces and sends out invoices to those institutions in possession of undisbursed Cal Grant funds for the award year that ended the preceding June. Occasionally, staff may call the institutions in an attempt to collect the amounts owed. CSAC, however, does not have formal procedures established for following up with those institutions who fail to remit the invoiced amount in a timely fashion. SAM requires State departments to develop collection procedures that will ensure prompt follow-up on receivables. Specifically, the accounting office should send a sequence of three collection letters at 30 day intervals. If a reply or payment is not received within 30 days, a subsequent letter should be sent referencing the previous letter and requesting repayment in a stronger tone and stating the possible consequences.

As of January 2005, the last time invoices were generated prior to Internal Audit's test work, thirty institutions who owed funds from previous years, going back as far as 1995, were invoiced nearly \$187,000 and have not yet remitted the amounts owed. Moreover, management represented to Internal Audit that four of these institutions are no longer in business. Institutions are reinviced for all outstanding amounts at the close of each award year, however, CSAC does not perform any other efforts during the year to actively follow-up on outstanding amounts. According to SAM, CSAC can not request discharge or write off uncollectible amounts due without first attempting reasonable collection procedures.

**Recommendation #6 – Implement invoicing and follow-up procedures for collecting amounts owed to CSAC that are consistent with the guidelines defined in the State Administrative Manual (SAM).**

The Cal Grant Operations Branch and the Fiscal and Administrative Services Branch should implement its invoicing procedures consistent with those defined in SAM.

Internal Audit recognizes that CSAC staff is currently developing and implementing new invoicing procedures. CSAC staff anticipates that these changes, along with other related proposals, will be forwarded to the Commission for its consideration in February and April 2006. The approval and implementation of these procedures should make CSAC compliant with SAM. Furthermore, CSAC would be able to write off those amounts owed by schools that are no longer in business or deemed uncollectible.

*Management's Response to Recommendation 6 – CSAC Management agrees with the recommendation. Newly developed, short-term procedures have been implemented to improve the invoicing process. These short-term procedures include a revised cover letter detailing the institutions responsibilities and mailing a copy of the invoice and cover letter to the fiscal office as well as the financial aid office.*

*Long- term procedures and strategies have also been developed to ensure complete compliance with SAM and improve the collection process. CSAC staff intends to present long-term procedures to the Commission at regularly scheduled Commission meetings during the 2006 calendar year.*

## VI. Implementation Plan for Recommended Actions

Exhibit 3 below presents Internal Audit’s recommended actions resulting from this review. The assigned individuals responsible for ensuring that the actions are implemented are also included.

**Exhibit 3: Recommended Actions**

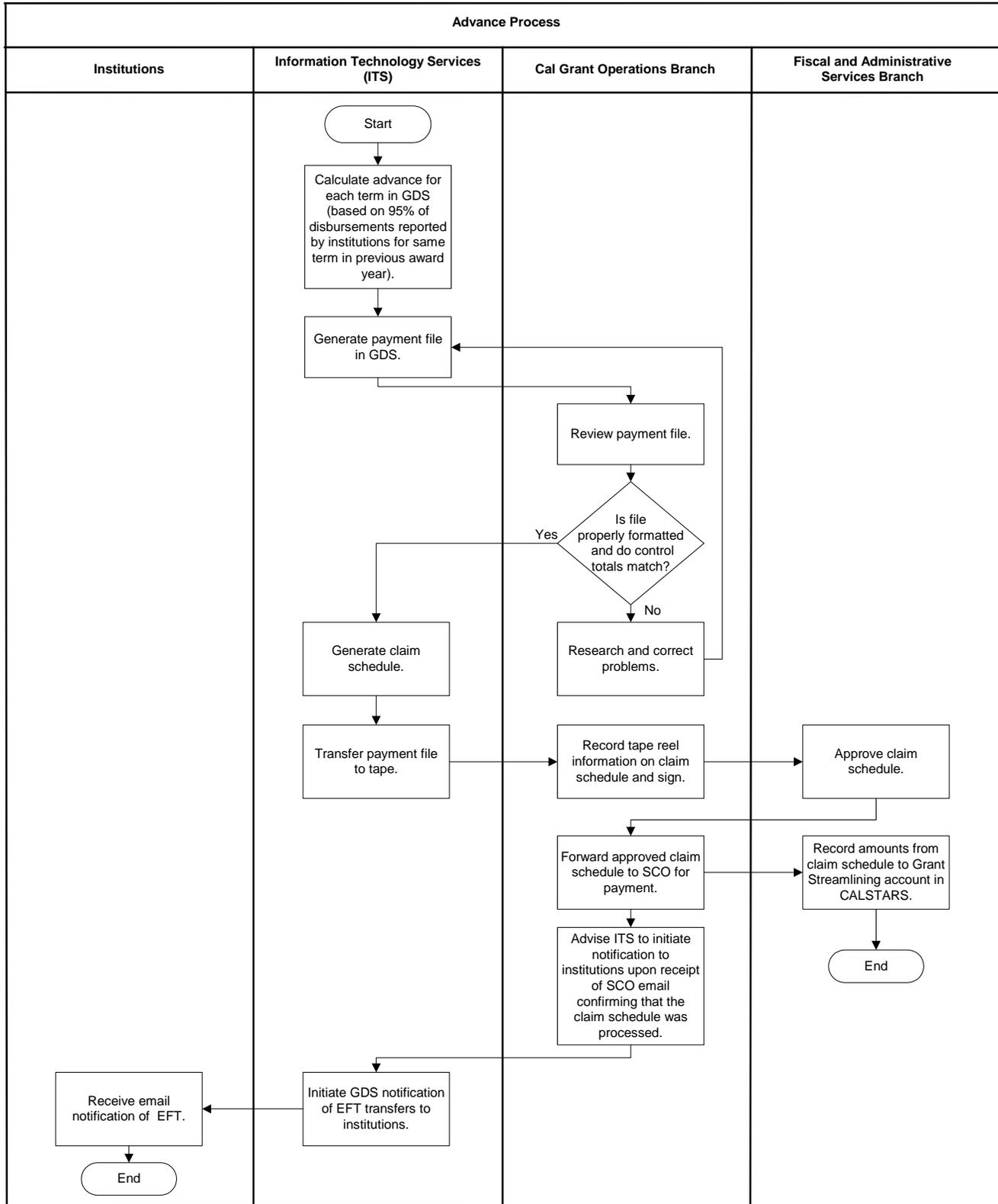
| <b>Recommended Actions</b>   | <b>Assigned Lead</b>   |
|--|--|
| <i>1. Reassess the current methodology of issuing advances and supplemental disbursements to institutions in an effort to improve cash flow for the State.</i>   | Chief, Program Administration and Services Division and Chief, Management Services Division  |
| <i>2. Require institutions to report disbursements and make adjustments prior to the published deadline for each award year. Also, consider implementing additional reporting deadlines at the conclusion of each term.</i>  | Manager, Cal Grant Operations Branch and Manager, ITS Project Management Branch  |
| <i>3. Require institutions to maintain Cal Grant funds in an interest bearing account. Additionally, modify the Grant Delivery System (GDS) to track interest remitted by institutions and develop formal procedures to ensure schools are remitting interest earned on Cal Grant funds.</i> | Manager, Cal Grant Operations Branch and Manager, ITS Project Management Branch  |
| <i>4. Modify GDS to allow the recording of refunds from institutions related to a closed award year. Develop formal procedures to require that refunds recorded in CALSTARS (the state’s accounting system) be reconciled to GDS and any differences resolved.</i>                           | Manager, Cal Grant Operations Branch, Manager, ITS Project Management Branch, and Manager, Fiscal and Administrative Services Branch |
| <i>5. Document and reinforce established procedures to require institutions to remit all payments directly to the Fiscal and Administrative Branch. Currently, institutions occasionally send payments related to audit findings to the Program Compliance Branch.</i>                       | Chief, Management Services Division  |
| <i>6. Implement invoicing and follow-up procedures for collecting amounts owed to CSAC that are consistent with the guidelines defined in the State Administrative Manual (SAM).</i>   | Manager, Cal Grant Operations Branch, Manager, ITS Project Management Branch, and Manager, Fiscal and Administrative Services Branch |

Source: Internal Audit Department, October – December, 2005

Internal Audit will meet with the assigned leads reflected in Exhibit 3 during January 2007 to evaluate the implementation and progress of all corrective actions identified as part of this review.

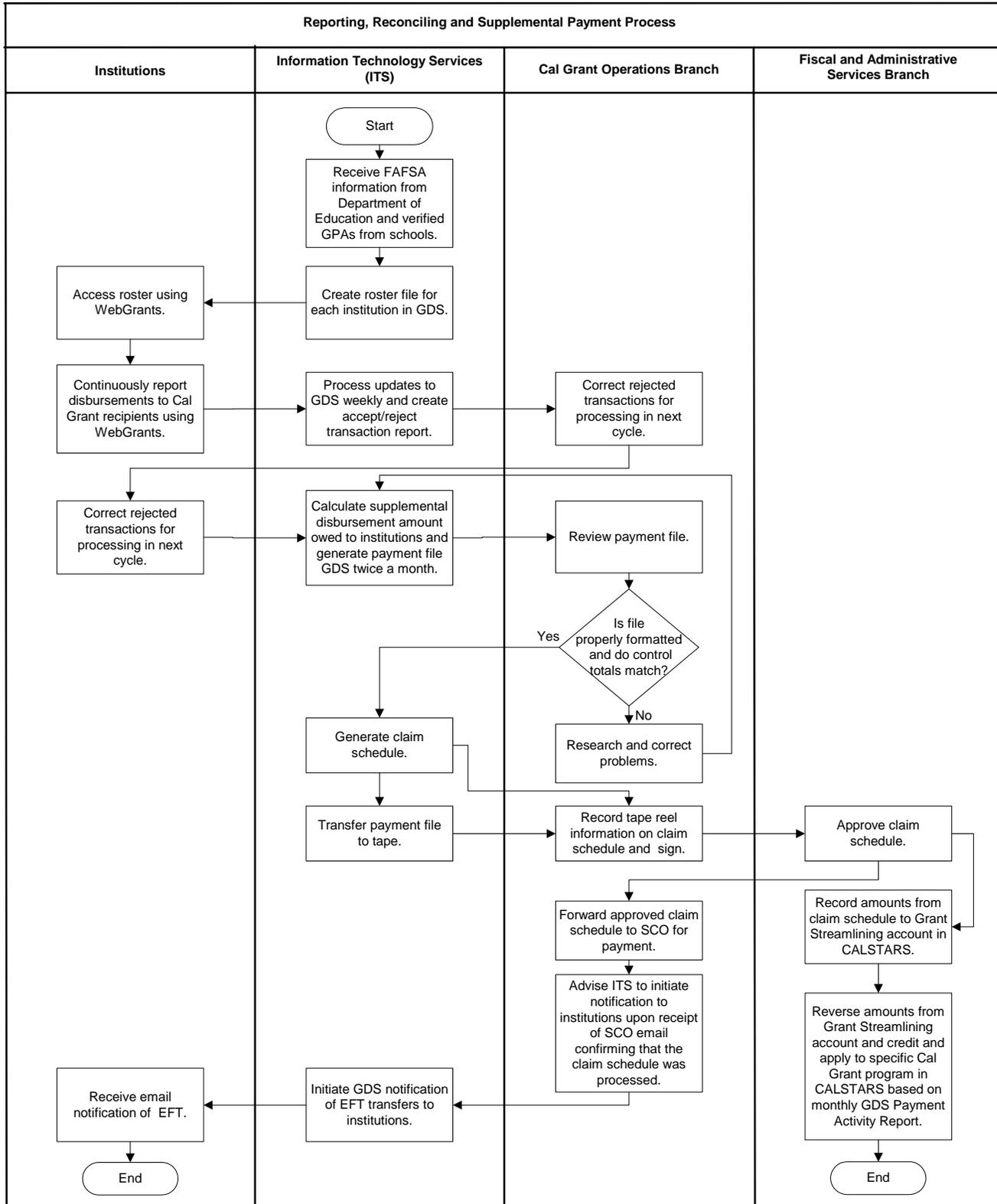
# **Appendix A**

High Level Flowchart of the Disbursement and Reconciliation Processes



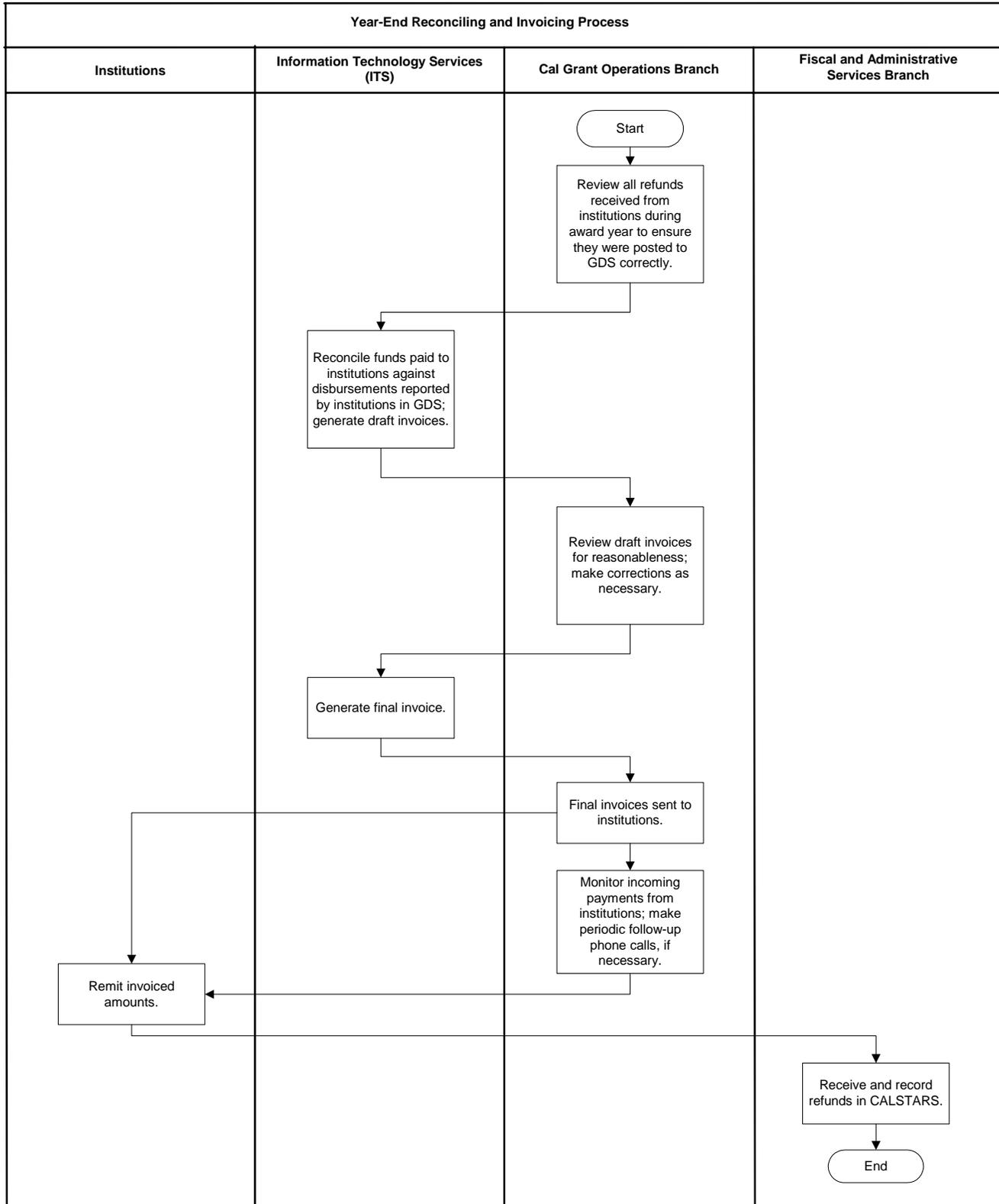
Source: Internal Audit Department, October – December, 2005

High Level Flowchart of the Disbursement and Reconciliation Processes



Source: Internal Audit Department, October – December, 2005

High Level Flowchart of the Disbursement and Reconciliation Processes



Source: Internal Audit Department, October – December, 2005

## **Appendix B**

**CALIFORNIA STUDENT AID COMMISSION**  
**CAL GRANT PROGRAMS**

Institutional Participation Agreement  
For New Postsecondary Institutions

Name of Institution: \_\_\_\_\_

Address of Institution: \_\_\_\_\_

USED School Identification Number: \_\_\_\_\_

Return to:  
California Student Aid Commission  
Program Administration & Services Division  
ATTN: School Support Services  
PO Box 419028  
Rancho Cordova, CA 95741-9028

Execution of this Agreement is mandatory for participation in the California Student Aid Commission's Cal Grant Programs.

## INTRODUCTION

- A. The minimum requirements for participation in the Cal Grant Programs for postsecondary institutions in California are established in California Education Code (CEC) 69432.7(l) and the California Code of Regulations (CCR) Title 5, Section 30009.
- (1) For non-public postsecondary institutions to participate in the Cal Grant Programs, an institution must be approved by the United States Department of Education (USED) to participate in the Federal Pell Grant program and two of the three federal campus-based student aid programs. The campus-based programs include Federal Work-Study, Federal Perkins Loan and the Federal Supplemental Educational Opportunity Grant (SEOG) programs [CEC 69432.7(l)(1)]. Specifically, participation in the campus-based programs means the postsecondary institution has been allocated funds and is spending those funds at each campus/site/branch ("campus") that Cal Grant recipients attend. These program requirements are set forth in CCR 30009(b).
  - (2) For non-public postsecondary institutions, California law allows an exception to the requirement of participation in the federal student aid programs. Cal Grant awards may be utilized at any nonprofit institution headquartered and operating in California that: (a) certifies to the Commission that ten (10) percent of the institution's operating budget, as demonstrated in an audited financial statement, is expended for the purposes of institutionally funded student financial aid in the form of grants, (b) demonstrates to the Commission that it has the administrative capability to administer the funds, and (c) is accredited by the Western Association of Schools and Colleges [CEC 69432.7(l)(2) and CCR 30009 (c)].
  - (3) A California public postsecondary educational institution or program may participate in the Cal Grant Programs [CEC 69432.7(l)(3)].
- B. Commencing with the 2001-02 academic year and each academic year thereafter, Cal Grant T awards shall be used only for tuition and student fees for a maximum of one academic year of full-time attendance in a program of professional preparation that has been approved by the California Commission on Teacher Credentialing [CEC 69440(a)].
- C. An otherwise qualifying institution shall be deemed disqualified if it no longer possesses all of the requirements for a qualifying institution [CCR 30009(d)].
- D. If a shift in control or change of ownership of an institution occurs, the Agreement expires and the institution's Cal Grant participation ends on the date of the shift in control or change of ownership. If the new controlling party or new owner wishes to continue Cal Grant participation, a new Agreement must be completed.
- E. This Agreement covers only campus(es) indicated on this Agreement. A new Agreement is required for any additional campus.
- F. As used in this Agreement, "academic year" and "award year" mean July 1 to June 30 as defined in CEC 69432.7.

## **ARTICLE I**

### **Participation**

The Commission and \_\_\_\_\_ hereafter referred to as the "Institution" agree to the terms contained in this Agreement.

This Agreement governs the Institution's eligibility to participate in and ability to receive funds for all of the Cal Grant Programs administered by the Commission.

## **ARTICLE II**

### **General Provisions**

- A. The Institution agrees to use Cal Grant funds provided to it solely for the purposes specified, and in accordance with the provisions set forth in the respective program statutes, federal and state regulations and procedures, the California Grant Programs Manual including manual updates, policy bulletins, operations memos, and special alerts.
- B. The Institution acknowledges that no Cal Grant funds have been authorized for a fiscal year until such time as that fiscal year's budget has been adopted by the Legislature and signed by the Governor. It is further understood that if such funds are not approved for a fiscal year, the State and the Commission shall be relieved of further payments and this Agreement will be canceled; if proposed funding amounts are reduced, this Agreement will be limited to the approved amounts only.
- C. The Institution agrees to maintain standards of administrative capability and financial stability in accordance with state and federal law and regulations as applicable. The Institution shall maintain documentation that allows the Commission to determine its adherence to fiscal responsibility and standards.
- D. The Institution agrees to establish written policies and procedures that provide security and confidentiality of all recipients' personal identification information, payments, financial history and other related confidential information and documents as required under state and federal law and regulations.
- E. When the Institution participates through the Commission's electronic system, the Institution agrees to comply with the Information Security and Confidentiality Agreement.
- F. The Institution agrees to maintain a current designation of individuals who are responsible for coordinating and communicating with the Commission on matters related to the provisions of this Agreement.
- G. The Institution shall maintain written policies and procedures governing the administration and processing of Cal Grant funds under this Agreement.
- H. The Institution agrees to retain comprehensive and accurate program and fiscal records that demonstrate institutional and student eligibility that fully documents the accuracy of the grant payments reported and the right of the Institution to receive or retain payments made by the Commission for a period of three (3) years following the last day of the period for which the grant was intended.

- I. The Institution agrees to make available at the time of program compliance review, or at the request of the Commission, any records and personnel related to the administration of the Commission's Cal Grant Programs.
- J. The Institution agrees that it is subject to and must comply with all current and applicable state and federal law and regulations in its enforcement of the terms of this Agreement. The Institution agrees that noncompliance with any of these provisions may result in the termination of this Agreement and the privileges that are afforded under it. The Commission shall provide the Institution written notice of its intent to terminate the Agreement ten (10) days prior to such action.

### **ARTICLE III**

#### **Cal Grant Account Maintenance – Institutional Responsibilities**

- A. The Institution agrees to maintain all Commission Cal Grant funds in a designated account identified as the property of the State either by a ledger account or a bank account.
  - 1) The Institution may deposit funds from various sources including Cal Grant funds into one bank account, but must identify the Cal Grant funds by using subsidiary ledgers. All activity (deposits and expenditures) of Cal Grant funds must be supported by appropriate accounting records in accordance with generally accepted accounting principles and practices.
  - 2) The Institution may establish a separate bank account designated for Cal Grant funds.
  - 3) Interest earned on Cal Grant funds in these accounts must be returned to the Commission on behalf of the State.
- B. Should the Institution close, lose federal financial aid eligibility, or no longer meet the statutory definition of an eligible institution, or upon termination of this Agreement, the Institution agrees to return any undisbursed funds or pay any outstanding invoices within ten (10) days.
- C. The Institution agrees to maintain a current designation of individuals who are responsible for Cal Grant account maintenance and adherence to accepted accounting practices and principles. The Institution also agrees to maintain a separate designation of individuals who authorize and disburse Cal Grant funds so that no one individual is responsible for both functions.

### **ARTICLE IV**

#### **Cal Grant Disbursement - Institutional Responsibilities**

The Institution understands and agrees to carry out the following responsibilities at the time Cal Grant funds are transferred to the recipient or to the recipient's account. These must include but are not limited to:

A. Verification of Eligibility: Verify the recipient meets all eligibility and program requirements and resolve any conflicting information before disbursing Cal Grant funds.

B. Confirmation of Eligibility: Confirm and document that students listed on a Commission roster or other award notification meet basic eligibility requirements including California residency, financial need and appropriate program eligibility.

C. Disbursement of Cal Grant Funds:

- 1) Establish a written disbursement policy consistent with the Commission's policies and guidelines.
- 2) Establish a written disbursement schedule consistent with the start dates of the Institution's enrollment periods and in accordance with the applicable requirements specified for each educational program.
- 3) Determine course attendance according to the recipient's attendance status at the time Cal Grant funds are paid. Disburse "Access" and "Books and Supplies" payments within ten (10) days of verification of enrollment status.
- 4) Disburse no more than that which the recipient is eligible to receive per academic term. The Institution must use its institutional refund policy to determine the portion to be returned to the Commission on behalf of the State. Cal Grant funds may not be used for reimbursement to the federal government.
- 5) Regularly submit payment transactions through WebGrants, data files, or the Grant Roster.
- 6) Make all disbursements no later than September 30 following the end of the award year (e.g., September 30, 2003, for award year 2002-03).
- 7) Establish and publish a policy that informs students of their options regarding receipt of Cal Grant funds and their subsequent ability to rescind their existing instructions at any time.

D. Accounting/Reconciliation:

- 1) Maintain an accounting system which conforms to generally accepted accounting principles and practices that includes such items as, but is not limited to, cash receipts and disbursement journals, bank account reconciliation, evidence of receipt of funds by recipients or credit of funds to recipients, and all other accounting records necessary to account for all transactions.
- 2) Reconcile all Cal Grant funds received and disbursed by the Institution no later than October 15 following the award year (e.g., October 15, 2003, for the 2002-03 award year). The Institution must report adjusted payment transactions for payment transactions previously reported in error that result in a payment exceeding the recipient's eligibility.

Upon final reconciliation by the Institution, the Institution shall repay any Cal Grant funds in excess of the reconciled amount to the Commission. Upon final reconciliation by the Commission, the Institution shall be invoiced for excess funds.

The invoice shall be due and payable to the Commission within 30 days of receipt of the invoice. The Institution agrees to resolve any reconciliation discrepancies with the Commission.

- 3) Submit annual College Cost Estimates to the Commission by the deadline specified.
  - 4) Certify the accuracy of all payment transactions submitted to the Commission. Certification of electronic submissions (WebGrants and data files) must be provided through the Information Security and Confidentiality Agreement. Signatures from the financial aid and accounting offices demonstrate certification for paper Grant Rosters.
  - 5) Agree to reconcile Cal Grant program expenditures for each award year on a student-by-student basis. The Institution certifies that it has paid each student an amount that reconciles to the Commission's records for both Cal Grant funds expended and student attendance. An institution may not apply excess Cal Grant funds to any other student's account or to any prior year accounts.
  - 6) Recalculate, if a recipient withdraws, drops out or is expelled for a term for which a payment has been made, based upon the Institution's repayment policy, whether an overpayment has been made to the recipient and whether the recipient owes a repayment to the Commission.
  - 7) Agree to pay any institutional liability that is determined as a result of a program compliance or an audit review within thirty (30) days of the determination or in the time specified in the program review report.
  - 8) Liability to the Commission for the Institution's actions or omissions under this Agreement shall not exceed the actual amount of Cal Grant funds that the Institution is not entitled to retain.
  - 9) Failure by the Institution to take action on Cal Grant funds that the Institution is ineligible to retain may constitute noncompliance and may result in the termination of this Agreement thereby terminating the Institution's participation in the Cal Grant Programs.
- E. The Institution agrees to maintain a current designation of individuals who are responsible for Cal Grant disbursement and adherence to accepted accounting practices and principles. The Institution also agrees to maintain a separate designation of individuals who authorize and disburse Cal Grant funds so that no one individual is responsible for both functions.

## **ARTICLE V**

### **Cal Grant Program Guidelines - Commission's Responsibilities**

- A. Determine new applicants' initial eligibility for Commission-administered grant programs by evaluating their financial information and program specific data as provided on the Free Application for Federal Student Aid (FAFSA), the verified Grade Point Average, and any other selection process.

- B. Provide the Institution with guidelines, information, and ongoing assistance with respect to the Institution's administration of the Cal Grant Programs.
- C. Identify recipients who are in default on any educational loans as indicated by the FAFSA information.
- D. Generate and provide electronic data files and Grant Rosters that include names, Social Security Numbers and payment amounts of eligible recipients to the Institution.
- E. Provide the Institution with instructions for completing payment transactions.
- F. Notify the Institution of accepted and rejected payment transactions.
- G. Reconcile accepted payment transactions.
- H. Provide the State Controller's Office with the documentation needed to issue Electronic Funds Transfer (EFT) or mail warrants for payment to the Institution.
- I. Provide the Institution with regularly updated electronic data and Grant Rosters identifying reconciled payments.
- J. Invoice the Institution for funds due the Commission as a result of the final reconciliation process and notify the Institution if funds will be withheld pending the return of delinquent repayments.
- K. Retain records relative to Commission grants and grant payments for a period of three (3) years following the last day of the award year.
- L. Review and audit the Institution's management of Cal Grant funds for compliance with state and federal law and regulations and Commission policies.

## **ARTICLE VI**

### **Agreement Duration**

This Agreement is effective when it is executed by the Commission's representative. This is generally later than its execution by the Institution's representatives. It supersedes any prior Agreements executed between the Commission and the Institution, and automatically terminates upon the occurrence of any of the conditions below:

- A. The Institution undergoes a change which results in change of ownership or control; or
- B. The Institution closes or ceases operation; or
- C. The Institution or site no longer possesses all of the requirements for a qualifying institution; or
- D. The Commission's representative requests termination of this Agreement in writing; or
- E. The Institution's Chief Executive Officer requests termination of this Agreement in writing; or
- F. June 30, 2007.

**ARTICLE VII**

**Certification**

As Chief Executive Officer of this Institution, I agree that this Institution and its “campus(es)” (if any) will comply with all state and federal statutes and regulations, rules, and guidelines applicable under this Agreement.

Name and Address of Main Campus: USED School  
Identification Number

\_\_\_\_\_

Name(s), Address(es), and Phone Number(s) of Branch USED School  
Identification Number  
Campus(es) included in this Agreement:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



Please indicate which of the following section(s) establish your Institution’s eligibility to participate in the Cal Grant Programs. Many institutions’ eligibility is established through Section 69432.7(l)(1) or (3) or 69440(a) of the CEC. If your Institution is seeking to establish eligibility through Section 69432.7(l)(2) of the CEC, please complete the attached “Financial Statement and Demonstration of Administrative Capability to Participate in the Cal Grant Programs” form.

Section 69432.7(l)(1) of the CEC states: “Qualifying institution” means the following:

***“Any California private or independent postsecondary educational institution that participates in the Pell Grant program and in at least two of the following federal campus-based student aid programs: (A) Federal Work-Study, (B) Perkins Loan Program, [and] (C) Supplemental Educational Opportunity Grant Program [SEOG].” Participation in the campus-based programs means the Institution or site has applied for, been allocated funds, and is spending those funds. Participation in the Federal Pell Grant program means that students are eligible to be paid Federal Pell Grant funds for attendance at the Institution.***

...

Initial if applicable:

\_\_\_\_\_ I hereby certify that this Institution meets the requirements of Section 69432.7(l)(1) of the CEC.

Section 69432.7(l)(3) of the CEC states:

***“Any California public postsecondary educational institution.”***

Initial if applicable:

\_\_\_\_\_ I hereby certify that this Institution meets the requirements of Section 69432.7(l)(3) of the CEC.

Section 69440(a) of the CEC states:

***“Commencing with the 2001-02 academic year, and each academic year thereafter, Cal Grant T awards shall be used only for tuition and student fees for a maximum of one academic year of full-time attendance in a program of professional preparation that has been approved by the California Commission on Teacher Credentialing.”***

Initial if applicable:

\_\_\_\_\_ I hereby certify that this Institution meets the requirements of Section 69440(a) of the CEC.

\_\_\_\_\_ I will immediately notify the Commission if the Institution ceases to be eligible under Sections 69432.7(l)(1) or (3), 69440(a) of the CEC, or Article VI of this Agreement.

**Additional requirements:**

Section 66290 of the CEC states:

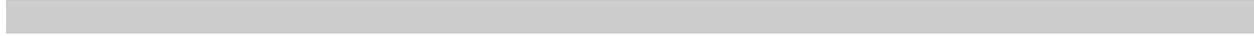
***“Prior to receipt of any state financial assistance or state student financial aid, a postsecondary educational institution shall provide assurance to the agency administering the funds, in the manner required by the funding agency, that each program or activity conducted by the postsecondary educational institution will be conducted in compliance with this chapter and all other applicable provisions of state law prohibiting discrimination on the basis of sex. A single assurance, not more than one page in length and signed by an appropriate responsible official of the postsecondary educational institution, may be provided for all the programs and activities conducted by a postsecondary educational institution.”***

\_\_\_\_\_ I hereby certify that this Institution meets the requirements of Section 66290 of the CEC.



I certify that the Institution is eligible to participate in the Cal Grant Programs and will provide the following documentation with this Agreement:

1. A copy of the Institution's final authorization notice of funding for allocation of the Federal Pell Grant and federal campus-based student aid programs (SEOG, Work-Study, Perkins Loan) for the current award year. If more than one campus is funded through the same allocation, documentation (i.e. accounting ledger entries, payroll statements, etc.) that verifies each campus (es)' participation in Pell Grant and two of three federal campus-based program awards is required.
2. A copy of the Institution's existing disbursement and refund policies.
3. A copy of the Institution's audited financial statements (for at least the two (2) most recently completed fiscal years), and the audited balance sheet showing the financial condition of the Institution at the time of application for participation. (Not applicable to public institutions)
4. A copy of the Institution's current catalog or resource document describing the course length(s) of its program's.



\_\_\_\_\_  
Signature of Institution's Chief Executive Officer

\_\_\_\_\_  
Date

\_\_\_\_\_  
Type or Print Name and Title

\_\_\_\_\_  
Signature of Commission Representative  
Max Espinoza, Chief,  
Program Administration & Services Division

\_\_\_\_\_  
Date

# CALIFORNIA STUDENT AID COMMISSION

## JOINT GRANTS AND PROGRAMS COMMITTEE AND FISCAL POLICY AND LONG-RANGE PLANNING COMMITTEE

Thursday, February 23, 2006

Additional Information for

### 4.1 CAL GRANT DISBURSEMENTS/ADVANCE PAYMENTS/RECONCILIATION PROCESSES AND PROPOSED CHANGES

The CSAC Internal Auditor has issued the Cal Grant Disbursement and Reconciliation Review, the first of several planned audits of Cal Grant administration. These internal audits will provide the Commission and CSAC management with necessary information to improve the functioning and accountability of Cal Grant administration.

As you will recall, the Legislature enacted Senate Bill 1644 (Ortiz) in September 2000 to incorporate entitlement awards into the Cal Grant program. This required the comprehensive changes to Cal Grant procedures and supporting computer programs within the five-month period between passage of the bill and the first cycle of students. The Commission's focus when the entitlement was initially implemented was on ensuring access to the Cal Grants for all qualifying students. To this extent, the Commission has been successful, student access to Cal Grants having increased from about \$370 million in 1999, before the entitlement changes, to about \$800 million currently.

In 2005, the Commission adopted an internal audit plan for Cal Grant administration, Information Security Program, Information Technology, and the Public Awareness Campaign. Planned internal audits for the cycle ending December 31, 2007, include, in addition to this first audit of Cal Grant disbursement and reconciliation:

- Grade Point Average Collection
- New Applicant Eligibility
- Selection and Notification
- Projections/Baseline

This audit of the Cal Grant disbursement and reconciliation procedures presents six findings and recommendations to address each finding.

CSAC staff welcomes the findings as a necessary step toward improving accountability and efficiency in the service of students, and looks to the future audits of Cal Grant administration to provide necessary review and recommendations for further improvements in the program.

CSAC staff is currently developing a work plan to address the internal audit findings, analyze and evaluate the audit recommendations, consult with the Grant Advisory Committee, and provide the staff's recommendations to the Commission.

**Information/Action Item**

***California Student Aid Commission***

Consideration of Implementation of High School Graduation Requirement for Cal Grant Eligibility for 2007-08 and Beyond

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At the June 23<sup>rd</sup>, 2006 Commission meeting, the Commission directed staff to implement the following provisions to address high school graduation verification requirements.

- **Provision #1:** For the 2006-07 Cal Grant award year, the Commission directs staff to follow and enforce CSAC Operations Memorandum (2003-05), including resolving any conflicting information in regards to high school graduation.
- **Provision #2:** The Commission directs staff to enforce Provision 1 through program compliance reviews of Cal Grant participating institutions.
- **Provision #3:** The Commission directs staff to bring back a proposal for its consideration for future Cal Grant award years, which includes the scope, timing and nature of a study, in consultation with the Grant Advisory Committee, at its September meeting.

Since the June 23<sup>rd</sup> Commission meeting, CSAC staff met with the Grant Advisory Committee on August 3<sup>rd</sup> and 4<sup>th</sup>, 2006 and established a workgroup to develop a proposed study that will be presented for consideration at the September Commission meeting. A proposed framework and timeline for this study is enclosed for further consideration.

While the Commission resolved the issue of high school graduation verification for 2006-07, it did not resolve this issue for 2007-08 or beyond. At this time, CSAC staff continues to recommend that this responsibility be placed with Cal Grant postsecondary institutions to identify that a student has graduated from high school, not merely expects to graduate, before using Cal Grant funds to pay for that student. CSAC staff's recommendation is supported by the information provided in this enclosure and also provided at the June 23<sup>rd</sup> as the best option for students.

This notwithstanding, CSAC staff has carefully considered the other alternative of having CSAC communicate directly with students and require additional documentation from them for review and processing at CSAC in order to accomplish post-high school graduation verification. While much of this analysis was contained in the information provided at the June 23<sup>rd</sup> Commission meeting, the CSAC Information Technology (IT) staff developed a Project Summary identifying the project tasks and duration of time it would take to implement system changes and procedures if CSAC staff was required to

conduct verification instead of having schools do so. This Project Summary is in enclosed for your reference. CSAC staff continues to recommend against this approach as it would be detrimental to students.

**Responsible Staff:** Max Espinoza, Chief  
Program Administration & Services Division

John Bays, Chief  
Information Technology Division

Janet McDuffie, Chief  
Management Services Division

Paula Rockwell, Manager  
Research & Policy Analysis Branch

Anne Robertson, Manager  
Cal Grant Operations Branch

Allen Scott, Associate Financial Aid Analyst  
Cal Grant Operations Branch

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## HIGH SCHOOL GRADUATION REQUIREMENT BACKGROUND

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High school graduation is one of the requirements for eligibility for a Cal Grant Entitlement award. (Educ. Code, §§ 69434(b)(8), 69435.3(a)(8), 69436(b)(9).) Unless a court ruling determines otherwise, the exit exam is now a requirement for high school graduation. Verification that a student passed the exit exam alone does not confirm high school graduation.

As the Commission was informed at the April Commission meeting, the Commission does not collect information about whether students who receive Cal Grant Entitlement awards actually graduated from high school. The information the Commission receives about high school graduation is anticipatory, i.e., based on an expected graduation date, not actual graduation information.

Commission procedures that were put in place in 2000 to identify eligible students for Cal Grant Entitlement awards do not include a process for the Commission to obtain information that confirms students have graduated from high school. Instead, the procedures rely on the participating institution in which a student ultimately enrolls to determine that the student graduated from high school, and thus, is eligible for the Cal Grant Entitlement award. The participating institution must make this determination before disbursing Cal Grant money to pay the institution for the tuition or student fees, or pay the student the access costs of education.

The Institutional Participation Agreement, signed by each institution participating in the Cal Grant program through the enrollment of students who have received Cal Grant awards, established the determination of eligibility as a responsibility of the participating institution. As the Commission has been informed, however, an Operations Memo issued in 2003 appears to require the participating institution to make eligibility determinations only when information in the possession of the institution is conflicting.

As the Commission was also informed at the April 2006 meeting, it was the Commission staff's understanding that not all institutions obtain information about the student's graduation from high school. Generally, we had been informed that UC and CSU, as well as comparable independent institutions, do obtain that information as part of their enrollment process, but that community colleges and some independent schools may not. Since the April 2006 meeting, representatives from the GAC have disclosed to Commission staff that community colleges do, in fact, require all students to complete application forms for admission into the community colleges, and that these application forms require high school graduation information. Commission staff has followed up on this issue by reviewing all California Community College district enrollment applications and has confirmed that all community colleges collect some high school graduation information in their enrollment application. However, since some select students apply before they have graduated, the high school graduation information may in some cases, be based on an anticipated graduation date, not an actual date of graduation.

Commissioners have expressed concern that the current procedures could result in Cal Grant Entitlement funds being used to pay for students who are not eligible because they did not graduate from high school.

## Discussion

Obtaining information about whether a student has passed the California high school exit exam is insufficient for determining the student's eligibility for a Cal Grant Entitlement award. Passing the exit exam is not equivalent to graduating from high school; for example, a student could pass the exit exam and not complete the coursework necessary to graduate. Thus, the Commission should obtain information that the student has graduated from high school, rather than the more limited information about the student's passing the exit exam. Any court ruling affecting the exit exam requirement will not address the concerns involving the existing procedures relating to graduation from high school.

Staff identified two general options:

- 1) Rely on the current Institutional Participation Agreements to require participating Cal Grant postsecondary institutions to determine that a student has graduated from high school, not merely expects to graduate, before using Cal Grant funds to pay for that student; or
- 2) Modify the current Commission process by requiring the Commission to determine that each potentially eligible Cal Grant student has graduated from high school before identifying the student as eligible for a Cal Grant.

Option 1 – Rely on the current Institutional Participation Agreement to require participating Cal Grant postsecondary institutions to determine that a student has graduated from high school, not merely expects to graduate, before using Cal Grant funds to pay for that student.

This option would allow the Commission to identify a student as eligible for a Cal Grant even though the Commission itself did not have information about the student's graduation status. The Commission could justify this on the ground that the entire Cal Grant Entitlement award process includes a determination of eligibility by the participating institutions, who would make this determination before using Cal Grant funds to pay for that student. This option would result in no interference with existing Cal Grant timelines.

Commission staff would issue a Policy/Operations Memo that establishes that, for purposes of the high school graduation eligibility factor, a Cal Grant participating institution must obtain information that a student has graduated from high school before the participating institution may use Cal Grant funds to pay for that student.

Participating institutions would be allowed to select any method by which to obtain information that the student graduated from high school, e.g., self-certification by the student, or obtaining copies of the student's diploma or transcript.

This option minimizes disruptions in the current Cal Grant process, while strengthening accountability by addressing an eligibility requirement that was not completely addressed in the current process.

GAC has objected that this option disadvantages participating institutions because participating institutions may be required to add more steps to their current admissions or financial aid processes to comply with this option. GAC noted that some students may

apply for admission before they graduate from high school, therefore, participating schools may have information from a student's application that establishes an expected high school graduation date for a student, but may not identify that the student had graduated.

GAC's objection does not result in a viable solution, since any option which does not ultimately obtain information that a student has graduated from high school, rather than merely expects to graduate is unacceptable. If the participating institutions do not collect the information, Option 2 is the only alternative. For reasons described below, Option 2 has greater disadvantages to students, participating institutions, and the Commission.

Option 2 - Modify the current Commission process by requiring the Commission to determine that each potentially eligible Cal Grant student has graduated from high school before identifying the student as eligible for a Cal Grant.

This option would require the Commission to implement a procedure similar to the one recently implemented for the Transfer Entitlement program. The Commission staff would develop and mail Preliminary Award letters which would include a supplemental form to students who have applied for Cal Grant Entitlement awards. The forms would require the students to state, under penalty of perjury, that they graduated from high school and provide a graduation date. Records for students found preliminarily eligible will be held pending receipt of the completed supplemental form. Upon receipt of the student's completed form, Commission staff would review the form to determine the student's eligibility for a Cal Grant Entitlement award. If the student were eligible, Commission staff would release the hold status for the student on the Cal Grant roster.

This option would involve substantial delays in comparison to the current Cal Grant process for students and participating institutions. Incomplete forms and/or incorrect information could delay payments to students. Further, a student would appear in an on-hold status on the Cal Grant roster until the Commission received the student's completed form verifying high school graduation and confirming the student's eligibility for a Cal Grant Entitlement award. Participating institutions, therefore, could not report payments on behalf of these students until the Commission received and processed the supplemental form. Therefore, while Option 2 would not require participating institutions to add steps to their admission or financial aid process to obtain high school graduation information, it would result in a different disadvantage to all participating institutions.

This option would involve substantial increased costs to the Commission. Although the Commission was able to absorb the costs of developing and incorporating supplemental forms into the Cal Grant Transfer Entitlement process, the number of students involved is approximately 8,000. The Cal Grant High School Entitlement program would involve between 60,000-70,000 students. The costs in money and staff time of mailing supplemental forms to 70,000 students, opening and processing the return forms, and handling increased correspondence and telephone calls relating to the forms, are significant and could substantially impair Commission staff's ability to administer other student financial aid programs. Commission staff would be diverted from other mandatory financial aid programs concurrently processing, including Cal Grant C, Chafee awards, Phase II of the Transfer Entitlement program, and required changes in the reconciliation and disbursements processes.

Further, Option 2 would require substantial time to review and modify the existing information technology systems, to the detriment of on-going financial aid programs. Student interactive systems such as WebGrants for Students and the Interactive Voice Response system would also need to be continually updated.

Recommendation

Option 1 - Rely on the current Institutional Participation Agreements to require participating Cal Grant postsecondary institutions to identify that a student has graduated from high school, not merely expects to graduate, before using Cal Grant funds to pay for that student.

Commission staff will issue an Operations Memo that establishes that, for purposes of the high school graduation eligibility factor, a Cal Grant participating institution must obtain information that a student has graduated from high school before the participating institution may use Cal Grant funds to pay for that student. Participating institutions will be allowed to select any method by which to obtain information that the student graduated from high school, e.g., self-certification by the student, or obtaining copies of the student's diploma or transcript.

**CSAC STAFF’S RECOMMENDATION ON THE DESIGN OF STUDY TO ACCESS THE ACCURACY OF SELF-REPORTED HIGH SCHOOL GRADUATION DATA**

In order to identify the accuracy of self-reported High School graduation data reported by new entitlement recipients, CSAC and GAC members will need to work together to identify the issues, review the data, resolve issues and generate recommendations. The following outline is a draft schedule of events to facilitate the study and its outcomes. Please note the following outline and timeline are draft and will become more fully developed and refined as part of the workgroup meetings:

Development of Workgroup

- Identify who will be part of the study group
- Schedule workgroup meetings
- Develop workgroup and study objectives and refine study methodology
- Identification and assignment of responsibilities
- Development and consensus on study timeline

Identification of the Problem

- What is it
- Who is impacted
- Implications, identified complications (possible issues with CAHSEE)

Review of current method being used to verify graduation

- Use of FASFA data
- Shortcomings and issues with that method

Data collection

- Audit current verification process
- Review options to gather data on reporting accuracy(partner with schools)
- Analyze findings
- Propose recommendations

Development of Solutions

- Work with workgroup to identify solutions
- Develop procedures for the 2007/08 plans

Report Findings to Commission for Approval

Report Procedural Changes as Needed via Ops Memo

Draft Timeline for Study:

| <b>Task</b>  | <b>Time to Complete</b> |
|--|-------------------------|
| Development of Workgroup and meetings                    | On-going                |
| Identification of the Problem                            | 2 weeks                 |
| Review of current method being used to verify graduation | 4 weeks                 |
| Data collection  | 6-8 weeks               |
| Development of Solutions                                 | 4 weeks                 |
| Report Findings to Commission for Approval               | 2 weeks                 |
| Report Procedural Changes as Needed via Ops Memo         | 2 weeks                 |

(Conservative Estimate: 5-6 Months to Complete Study)

## **GRANT ADVISORY COMMITTEE RECOMMENDATION ON THE DEVELOPMENT OF A STUDY REGARDING CAL GRANT HIGH SCHOOL GRADUATION**

In response to the Commissioners' request for GAC to advise them and staff on development of a study on the process for determining that Cal Grant entitlement recipients meet the eligibility requirement that they be high school graduates, GAC recommends the following study:

- The study goal is to assess the effectiveness of the current process for limiting Cal Grant entitlement awards to high school graduates and to inform decisions about the need to enhance that process. Under the current process for determining that Cal Grant recipients have graduated from high school, CSAC established initial eligibility based on actual past or anticipated future high school graduation dates as reported by students or high schools on the Cal Grant GPA verification form. Colleges and universities then review indicators of high school graduation in their possession and resolve any conflicting information. The indicators may include high school transcripts, responses to the FAFSA question about high school graduation, and/or responses to questions about high school graduation on CCC enrollment forms.
- The specific timeline for the study will be developed by CSAC staff in consultation with a study workgroup but the goal will be to have preliminary results available by November, 2006.
- The focus of the study will be on 2006-07 high school entitlement Cal Grant awardees whose high school graduation is affected by the new CASHEE (i.e., those with reported high school graduation dates on the Cal Grant GPA verification form between July 1, 2005 and June 30, 2006).
- Information of the actual high school graduation status of a sample of such awardees will be collected directly from high schools after 2006-07 Cal Grants have begun to be disbursed (e.g., during October, 2006).
- The specific information to be collected from the high school for each awardee in the sample will include (1) whether or not the student graduated from high school, (2) if the student did graduate, the date of graduation, and (3) if the student did not graduate, whether the reason was solely due to failure to pass the CASHEE, was due to failure to pass the CASHEE plus failure to meet some other criterion, or just failure to meet some criterion other than passage of the CASHEE.
- To determine the effectiveness of the initial CSAC process for determining high school graduation through the GPA verification form, results will first be reported on the actual high school graduation status of the Cal Grant awardees in the sample. Once CSAC has information on 2006-07 payments, the same results will be reported on the awardees who actually received Cal Grants in order to assess the contribution of the supplemental reviews institutions perform.
- Results will be reported for the overall sample as well as disaggregated by segment and Cal Grant type (e.g., A vs. B). A stratified sample of sufficient size to allow for such reporting will be developed by CSAC staff in consultation with the study workgroup and experts in survey sampling, if necessary.

It is expected that the results of the proposed study will inform decisions about any need to modify the 2008-09 process for determining that Cal Grant recipients are high school graduates. However, GAC recommends that one modification to the process be made for the 2007-08 award year, namely that Cal Grant entitlement awardees be informed on their award notification that receipt of their Cal Grant is contingent on their graduation from high school (including passage of the CASHEE).

Finally, since the study is an evaluation of the effectiveness of a current process and not a compliance review of individual cases, students in the study sample should not be penalized if they are identified through the study as not being high school graduates.

**ESTIMATED FINANCIAL COST AND STAFF HOURS REQUIRED FOR THE COMMISSION TO CAPTURE / VERIFY HIGH SCHOOL GRADUCATION DATA**

**Information Technology Division Estimate** - This estimate is based on the assumption that a self-certifying supplemental paper form is required for high school graduation verification. This estimate does not include maintaining documentation for proof of high school graduation, a verification requirement at the institutions, staffing requirements to actually process the supplemental information, responding to inquiries, mailing costs and other operational functions. The estimate includes the following tasks:

- Imaging and Uploading of Supplemental Form Information
- Modifications to the Interactive Voice Response (IVR) System
- Modifications to WebGrants and WebGrants for Students
  - ✓ Addition of High School Graduation Date Field
  - ✓ Development of New Screen for Supplemental Form Information
  - ✓ Provide the Ability for Students to Enter/Certify Information via WebGrants
  - ✓ Provide a High School Graduation Date Data Upload Function for High Schools

**Estimated Project Hour Requirement:** 3800 hours (106 function points @ 5 fp delivered for each staff month)

**Estimated Project Duration:** Six (6) Months

**Estimated FSR Cost:** \$40,000 (Assume \$45/Civil Servant - \$120/Contracted Staff)

**Total Cost Estimate Range:** \$209,000 - \$488,000 (Depending on mix of staff used on the project)

**Cal Grant Operations Branch Estimate** - An initial assessment indicates it would take five (5) staff months each year to complete the processing of an additional high school graduation verification form at a cost of \$25,000. Mailing costs for the supplemental form would add an additional \$24,000 for a total of \$49,000. Processing the forms at CSAC would also increase the call volume approximately 50% while the forms are being processed.

***Please refer to the Project Summary enclosure identifying the project tasks and duration of time it would take to implement system changes and procedures if Commission staff was required to conduct verification instead of having schools do so.***

| ID | Task Name   | Duration        | Timeline |     |     |     |     |     |     |     |     |     |     |     |
|----|---|-----------------|----------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
|    |   |                 | Aug      | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul |
| 1  | <b>Phase 1 - Selection &amp; Notification</b>             | <b>82 days</b>  |          |     |     |     |     |     |     |     |     |     |     |     |
| 2  | Define Requirements                                       | 30 days         |          |     |     |     |     |     |     |     |     |     |     |     |
| 3  | Coding  | 30 days         |          |     |     |     |     |     |     |     |     |     |     |     |
| 4  | User Acceptance Testing                                   | 20 days         |          |     |     |     |     |     |     |     |     |     |     |     |
| 5  | Implementation  | 2 days          |          |     |     |     |     |     |     |     |     |     |     |     |
| 6  | <b>Phase 2 - Receive and process HS certifications</b>    | <b>107 days</b> |          |     |     |     |     |     |     |     |     |     |     |     |
| 7  | Define Requirements                                       | 35 days         |          |     |     |     |     |     |     |     |     |     |     |     |
| 8  | Coding  | 40 days         |          |     |     |     |     |     |     |     |     |     |     |     |
| 9  | User Acceptance Testing                                   | 30 days         |          |     |     |     |     |     |     |     |     |     |     |     |
| 10 | Implementation  | 2 days          |          |     |     |     |     |     |     |     |     |     |     |     |
| 11 | <b>Phase 3 - Release for Payment</b>                      | <b>87 days</b>  |          |     |     |     |     |     |     |     |     |     |     |     |
| 12 | Define Requirements                                       | 15 days         |          |     |     |     |     |     |     |     |     |     |     |     |
| 13 | Coding  | 20 days         |          |     |     |     |     |     |     |     |     |     |     |     |
| 14 | User Acceptance Testing                                   | 15 days         |          |     |     |     |     |     |     |     |     |     |     |     |
| 15 | Implementation  | 2 days          |          |     |     |     |     |     |     |     |     |     |     |     |
| 16 | <b>Phase 4 - Reprocess Unawarded applicants for Comp.</b> | <b>82 days</b>  |          |     |     |     |     |     |     |     |     |     |     |     |
| 17 | Define Requirements                                       | 10 days         |          |     |     |     |     |     |     |     |     |     |     |     |
| 18 | Coding  | 10 days         |          |     |     |     |     |     |     |     |     |     |     |     |
| 19 | User Acceptance Testing                                   | 10 days         |          |     |     |     |     |     |     |     |     |     |     |     |
| 20 | Implementation  | 2 days          |          |     |     |     |     |     |     |     |     |     |     |     |
| 21 |   |                 |          |     |     |     |     |     |     |     |     |     |     |     |
| 22 | <b>Production</b>   | <b>160 days</b> |          |     |     |     |     |     |     |     |     |     |     |     |
| 23 | Put awardees on hold                                      | 160 days        |          |     |     |     |     |     |     |     |     |     |     |     |
| 24 | Send preliminary award letters                            | 96 days         |          |     |     |     |     |     |     |     |     |     |     |     |
| 25 | Sent certification forms                                  | 60 days         |          |     |     |     |     |     |     |     |     |     |     |     |
| 26 | Input certification forms                                 | 60 days         |          |     |     |     |     |     |     |     |     |     |     |     |
| 27 | Verify sample   | 21 days         |          |     |     |     |     |     |     |     |     |     |     |     |
| 28 | Release for payment                                       | 1 day           |          |     |     |     |     |     |     |     |     |     |     |     |
| 29 | Reminder letters  | 39 days         |          |     |     |     |     |     |     |     |     |     |     |     |
| 30 | Special C1 Cycle  | 2 days          |          |     |     |     |     |     |     |     |     |     |     |     |
| 31 | Withdraw students before C2                               | 2 days          |          |     |     |     |     |     |     |     |     |     |     |     |

Project: HS Graduation Certification  
Date: Fri 8/18/06

Task Split Progress

Milestone Summary Project Summary

External Tasks External Milestone Deadline

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# The Cal Grant Entitlement Program High School Graduation Verification

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As a result of the California Student Aid Commission's (Commission) discussion of the Grant Advisory Committee's (GAC) recommendations, Commission staff was directed to research and review methods to implement certification of the California High School Exit Exam (CAHSEE) passage for Cal Grant Entitlement eligibility purposes and present these to the Commission for their consideration and possible action.

During the staff analysis of these methods, consideration was given to the fact that verification of CAHSEE passage would only constitute partial verification of the Cal Grant Entitlement eligibility requirements for high school graduation. As such, the proposed solutions in this document cover verification of high school graduation as this is a clear requirement of current law regardless of potential delays in CAHSEE implementation.

**Statutory Requirements:** California Education Code (CEC) 69434(b)(8) and 69435.3(a)(8) specifies the requirements for Cal Grant Entitlement applicants to have graduated from a high school or its equivalent during or after the 2000-2001 academic year. Both CEC 69434(b)(8) & 69435.3(a)(8) state that among other requirements, in order to be eligible for a Cal Grant the student must have "*graduated from high school or its equivalent during or after the 2000-01 academic year.*"

**Current Commission Policy & Operations:** Currently, the Commission does not collect information that verifies actual high school graduation. Instead, the Commission relies on Cal Grant participating institutions to inform the Commission if they have information that a student awarded a Cal Grant by the Commission did not meet any of the requirements to receive Cal Grant benefits. This expectation of institutions is inclusive of high school graduation and specified in the Commission's Cal Grant Institutional Participation Agreement (IPA) signed and agreed to by campus executives. The IPA derives its authority from CEC 69432.8, which states in part that "each institution shall disburse the funds in accordance with the provisions set forth in the institutional agreement between the commission and the institution."

Moreover, the Cal Grant Institutional Participation Agreement, Article IV (A), specifically states:

"The institution understands and agrees to carry out the following responsibilities at the time Cal Grant funds are transferred to the recipient of the recipient's account. These must include but are not limited to:

- A. Verification of Eligibility: Verify the recipient meets all eligibility and program requirements and resolve any conflicting information before disbursing Cal Grant funds.
- B. Confirmation of Eligibility: Confirm and document that students listed on a Commission roster or other award notification meet basic eligibility requirements including California residency, financial need and appropriate program eligibility."

In June 2003, upon recommendation of the Grant Advisory Committee (GAC), the Commission staff issued a Grant Operations Memo (GOM 2003-05), without approval by the Commission or

its Executive Director, entitled “Clarification of Specific Articles in New Institutional Participation Agreement (IPA),” that states the following in part:

“Some members of the financial aid community have expressed concerns about the new IPA and have requested clarification. The Grant Advisory Committee (GAC) discussed the following items at its May 29, 2003 meeting:

- **Verification of Eligibility:** Article IV(A) (“Verify the recipient meets all eligibility and program requirements and resolve any conflicting information before disbursing Cal Grant funds.”)
  - *As with any federal, state, or any institutional program, funds should not be disbursed unless the student is eligible. As in the past, this requires an institution that has documentation on file that is contrary to the information the Commission used to offer an award to resolve and report conflicts to the Commission. At a minimum, the institution must maintain a current award year FAFSA record on file for each Cal Grant recipient.*
  - *An institution is not required to recalculate GPAs, document student files with high school graduation dates, or recalculate data that the Commission has already calculated to affirm a student’s grant eligibility absent conflicting information in the institution’s possession.”*

Currently, if the Commission receives information from the school that the student did not graduate from high school, the student’s award is withdrawn. In rare cases, students may directly report their high school graduation status after the fact as part of the regular “recipient change” process when making other demographic or school changes on their own.

**Commission Staff Recommendation:** In developing the Commission staff recommendation, the Commission staff believed that it was important to ensure that any policy and/or process put into place, at minimum, be in the interests of both the state and the students served by the Commission. This principle is consistent with the Commission’s mission. As part of this approach, the Commission staff believes it is important to ensure that the Cal Grant program award process maintains its current expected disbursement schedule to minimize the impact of eligibility verification to students and that the Commission be prudent in advancing funds to institutions through the verification process as a steward of state funds.

Another important consideration in developing the Commission staff’s recommendation was the Commission’s commitment to continue to improve services to students and schools, including the planned enhancement of the Grant Delivery System infrastructure through the migration of the server to EdFund, and starting the scheduled Phase 1 portion of the real-time database project. Lastly, influencing the Commission staff recommendation was the pressing need to appropriately respond to the recently completed internal audit of the Cal Grant reconciliation and disbursements process, as well as continue its comprehensive review of all Cal Grant processes in light of the Cal Grant Transfer Entitlement error. While not at the center of the Commission’s staff recommendation, all of these various priorities have serious resource implications and limitations associated with each of them that had to be considered in the development of a staff recommendation on high school graduation verification.

With all of the above in mind, the Commission staff recommends that the Commission reaffirms the verification and confirmation guidelines set forth in the current Cal Grant IPA; whereby Cal Grant participating institutions are responsible for verification and confirmation of eligibility, including high school graduation, prior to disbursing Cal Grant funds to students. This verification should confirm that a student has graduated from high school, not merely expects to graduate, before disbursing Cal Grant funds to the student. In order to implement this recommendation and clarify any ambiguity that may exist with regard to verification and confirmation of Cal Grant eligibility, Commission staff recommends that a new Policy/Operations Memo be sent to schools clarifying the requirements for verification of high school graduation.

Given that participating in the Cal Grant program for institutions is voluntary, Commission staff further believes that verification and confirmation of Cal Grant eligibility is a reasonable expectation of Cal Grant participating institutions as a conduit to provide students with state grant support for costs associated with their postsecondary enrollment and persistence at these institutions.

- **Implementation Steps:** The Commission would issue a new Policy/Operations Memo to all Cal Grant participating institutions reaffirming the need to verify high school graduation prior to making any payments to Cal Grant recipients. Commission staff would also make sure that all training provided to schools clearly explains the expectations of verification and confirmation of Cal Grant eligibility as part of its regular, on-going training of financial aid professionals.
- **Barriers/Challenges:** There should not be significant impact for most four-year institutions that already collect high school graduation and other information from students. There may be some unknown workload considerations at institutions that routinely collect information regarding high school graduation prior to a student actually graduating high school, as institutions must now confirm that the student has actually graduated, not merely expects to graduate, before disbursing Cal Grant funds to students.
- **Information Technology (IT) Requirements:** None.
- **Fiscal Impact:** None.
- **Timeframe:** Verification must be conducted prior to funds disbursement.

**Other Options Considered:** In considering other options for high school verification, the following courses of action were considered both short-term and long-term. However, these options proved to be problematic based on the impact to students and the availability of staff resources, programming requirements, timeframe and fiscal constraints. For example, the routine workload of Cal Grant program award processing is the heaviest during the January through October period and there are an additional number of critical projects that the Commission is in the process of implementing. The following is a list of some of those current projects:

1. Critical scheduled Cal Grant operations that could be impacted by other options that were considered:
  - Renewal Processing—scheduled for June and impacts over 200,000 students.
  - Processing of Transfer Entitlement certification forms.
  - Processing of correction forms for high school Entitlement applicants.

- Fall Advance and payments to students—contingent upon decisions made by the Commission on the CSAC Reconciliation and Disbursements Internal Audit Work Plan & Recommendations.
  - September 2<sup>nd</sup> Community College Competitive award cycle includes collecting and imaging GPAs and coordinating community colleges enrollment and GPA uploads.
2. Additional workload outside of normal workload that could be impacted by other options that were considered:
- FAFSA ISIR correction processing of United States Department of Education (USDE) Higher Education Reconciliation Act Changes.
  - Cal Grant C Imaging Project—requires programming to capture scanned data for uploading into the Grant Delivery Systems to run the Cal Grant C awards.
  - Chafee Processing changes—required changes to be able to receive return checks and reward the money being returned. This is in process and is hoped to be finished by end of May, but does not include additional changes needed to be made for the 2006-07 award year selection.
  - Transfer Entitlement Phase II—this involves new screens, processes and forms supporting the entitlement supplement information being collected for the transfer entitlement to ensure the appropriate students receive an award based on residency.
  - October 15<sup>th</sup> Reconciliation Enforcement—Move year-end reconciliation process to October 15 as outlined in IPA as recommended by the Internal Auditor and as approved by the Commission in April 2006.
  - Implementation of additional changes as a result of disbursement and reconciliation audit—contingent upon decisions made by the Commission on the CSAC Reconciliation and Disbursements Internal Audit Work Plan & Recommendations.
  - Preparing for changes to FAFSA ISIR record layout for 2007-2008 award year.
3. Major projects underway that could be impacted by other options that were considered:
- Migration of Grant Delivery System to EdFund—this is a major project that is in progress and will not be completed until end of July. Among other things, this project is needed to ensure that sufficient capacity exists for the Community College Competitive award cycle in Fall 2006 and the processing of new academic year in January 2007.
  - Real-time Database Project—this project is a major restructuring of our existing batch system that is scheduled to begin in July 2006 and will be incorporating significant capabilities to provide more real-time information to students, institutions and high schools. Major resources will be committed for at least one year, followed by Phase II of this project.

**Short-term Options Considered:** While not recommended by Commission staff for various reasons as outlined below, these options would need to be considered for implementation this year in the event the Commission's staff recommendation is not adopted by the Commission.

**A. Option 1—Self-Certification without Documentation:** This option would require the Commission to develop and send all potentially eligible students a supplemental certification form that students would be required to complete and sign under penalty of perjury that the information provided is true and correct, and return the form to the Commission prior to receiving payment of their award. This approach would increase the chances of students not achieving full eligibility status until much later in the application process, if at all, due to the timing of Cal Grant awarding and the need for additional forms needing to be completed before eligibility could be confirmed.

Furthermore, by requiring a supplemental form, the Commission would place potentially eligible students “on hold,” preventing any payment by institutions until the Commission could confirm their eligibility through the receipt and review of a certification form. The certification form would be designed to allow students to self-certify their high school graduation; whether they passed the General Education Development (GED) or California High School Proficiency Examination (CHSPE), etc. Students that are determined to not meet the requirements would be withdrawn and sent a disqualification letter.

- **Implementation Steps:** As a result of student self certification, the following fundamental changes would be made.
  1. Students would be offered a preliminary award commencing in January 2007 and would be required to submit a supplemental form prior to receiving any payment.
  2. Payments to students may be delayed while Commission staff processes the 60,000–70,000 potential certification forms.
  3. Schools may receive reduced advance funds depending on the methodology used in determining the amount of funds to be advanced. State law requires that advanced funds can be made based on eligible students. Students who have not returned their forms by the advance date may not be considered eligible.
  4. The mailing of the certification forms will significantly increase call volume into the Commission’s Call Center.
- **Barriers/Challenges:** Under this scenario there may be a drop in paid Cal Grant Entitlement awards made to students. The timing of the return of the forms may delay payment for some students. It is recognized that any extra requirement complicates an already burdensome financial aid process on students. In addition, the uncertainty whether students report accurate and timely information can jeopardize a students Cal Grant status.
- **IT Requirements:** All existing systems must be reviewed and modified to produce approximately 60,000–70,000 letters, process the letters, remove the recipient from the “on-hold” status, and allow payments. In addition, the student interactive systems, such as WebGrants for Students and the Interactive Voice Response System would need to be modified to provide up-to-date information on student status. Commission staff may be required to reprogram the advance process to not include preliminary awards.
- **Fiscal/Budget Impact:** At minimum, the following estimated fiscal impact would be realized:
  1. IT Division—Estimated project costs \$140,000-\$200,000. Estimated staffing 8 to 12 staff months.
  2. Cal Grant Operations—Estimated 5 staff months to complete processing the forms. Estimated mailing costs of \$24,000 and processing costs \$25,000 Call volume increase of approximately 50% within a 4-6 week time frame.
  3. Institutions—May lose advance funds as students may not have returned certification forms prior to the advance of funds. May experience additional costs to modify their campus database.
  4. Other General Fund—May reduce Cal Grant general fund impact if fewer students activate their award due to failure to complete the supplemental verification form.

- **Timeframe:** In order to ensure that advances are not delayed, all self-certification must be completed by the initial fall advance at the beginning of August. The projected implementation date is three to four months from date of approval. This date could be reached by redirecting staff from other critical projects with the understanding that the other projects would be significantly delayed from their current schedule and that regular, on-going workload could be impacted. This process would be repeated every year with confirmation of graduation forms being processed every June and July. For long-term effectiveness, consideration of a possible BCP being submitted to the Governor for additional staff resources and other changes to the Commission's current grant processes schedule would need to be considered.

**B. Option 2—Self-Certification with Documentation Confirmation:** Along with the changes described in Option 1 above, students would be required to provide authoritative documentation that they graduated from high school. Like Option 1, this additional requirement on students would increase the chances of students not achieving full eligibility status until much later in the application process. Letters will need to be generated and sent to students requesting documentation such as a copy of their high school diploma, a letter from their high school or institution certifying high school graduation.

Under this option, financial aid offices at institutions would also be allowed to verify based on their own confirmation that a student has met the high graduation requirement for the Entitlement program award. This could be done through receipt of the paper document or by reporting on WebGrants for Schools.

- **Implementation Steps:** As a result of students having to confirm their graduation with documentation, the following fundamental changes would be made:
  1. Students will be offered a preliminary award and will be required to submit supplemental certification form prior to receiving any payment with supporting documentation.
  2. Payments to students may be delayed while Commission staff processes approximately 60,000–70,000 documents. This would be lessened if schools provided the information in a timely fashion.
  3. Schools may receive reduced advance funds depending on the methodology used in determining the amount of funds to be advanced. State law requires that advanced funds can be made based on eligible students. Students who have not returned their forms by the advance date may not be considered eligible.
  4. The mailing of the certification forms will significantly increase call volume into the Commission's Call Center.
- **Barriers/Challenges:** It is recognized that any extra requirement complicates an already burdensome financial aid process on students and may delay the disbursement of their Cal Grant award. This process may transfer part of the responsibility for submitting the confirmation documents from students to high schools. The availability of high school counselors at the time students would need the document and the additional workload that places on the counselors is problematic.
- **IT Requirements:** The Cal Grant Roster will need to be changed to reflect "holds" for those students who have not submitted the required documents. Either the existing

WebGrants screen or a new screen will be created to key verification of receipt of the high school graduation document. Existing system requirements will need to be modified to enable the processing of approximately 60,000-70,000 documents, i.e. imaging, Interactive Voice Response, Cal Grant Roster.

- **Fiscal/Budget Impact:** At minimum, the following estimated fiscal impact would be realized:
  1. IT Division—Estimated project costs \$190,000-\$250,000. Estimated staffing 9 to 13 staff months.
  2. Cal Grant Operations—Estimated mailings costs \$24,000 and processing estimated costs \$25,000. Call volume increase of approximately 50% in a 4-6 week time frame.
  3. Institutions—May lose advance funds as students may not have returned documentation prior to the advance of funds. May experience additional costs to modify their campus database.
  4. Other General Fund—May reduce Cal Grant general fund impact if fewer students activate their award due to failure to complete the supplemental verification form.
- **Timeframe:** In order to ensure that advances are not delayed, all self-certification must be completed by the initial fall advance at the beginning of August. The projected implementation date is three to four months from date of approval. This date could be reached by redirecting staff from other critical projects with the understanding that the other projects would be significantly delayed from their current schedule and that regular, on-going workload could be impacted. The process would be repeated every year with confirmation of graduation forms being processed every June and July. For long-term effectiveness, consideration of a possible BCP being submitted to the Governor for additional staff resources and other changes to the Commission's current grant processes schedule would need to be considered.

**Long-term Options Considered:** While not recommended by Commission staff for various reasons as outlined below, these options would need to be considered for implementation in future years in the event the Commission's staff recommendations is not adopted by the Commission.

**A. Option 1—WebGrants Verification:** Through the WebGrants for Schools system, high schools would be able to verify whether or not a student has graduated from high school. Based on other projects mentioned and resource constraints, this could not be done for the 2006-2007 award year and would need to be implemented for the 2007-2008 award year. There are over 2,100 active public and private high schools on the Commission's GPA database; approximately 1,100 schools are registered to use WebGrants.

- **Implementation Steps:** As a result of WebGrants verification by high schools and institutions, the following fundamental changes would be made:
  1. Students would be placed "on hold," preventing any payment until schools or institutions verifies the student's status on WebGrants.
  2. Even under this option, students would be required to verify high school graduation if their school did not do so.

3. If verification has not been keyed onto WebGrants by the funds advance date, students will not be considered eligible for payment.
  4. Schools may receive reduced advance funds. State law requires that advanced funds can be made based on eligible students.
- **Barriers/Challenges:** This solution may prove ineffective as not all high schools make use of WebGrants. Less than 50% of high schools currently use WebGrants. Those who do have access may require some extensive training to use this new feature. In addition, the availability of high school counselors at the time students would need high school graduation verification and the additional workload that places on the counselors is problematic. The Commission could not mandate that high schools verify graduation for their students, so a combination of the various options listed earlier would need to be implemented to ensure 100% verification and confirmation.

To get a better sense of high school sentiment and capabilities, a survey was done by Commission staff of high school counselors on certification of high school graduation. Responses were received from 93 high schools. Here were the questions that were asked:

1. Would the Commission's "School of Origin" report be a convenient method for high schools to confirm high school graduation? A paper copy of the report would be used to show those students who did not meet all graduation requirements.
2. Would an on-line report be easier? A counselor would log-in to the Student Aid Commission's WebGrants web site and similarly mark those students chosen for a Cal Grant that attended your school.
3. If we couldn't get a report of this type out to you until summer, would there be anyone at the school during the summer months to either work the report or to sign a graduation verification form for the student?
4. For your school are you issuing Certificates of Completion to those who do not pass the CAHSEE? Will these look different than a full diploma? If a student sends us their Certificate of Completion or a diploma, we want to know if we will be able to tell them apart.

The large majority conveyed the following concerns:

1. They did not want to have to do this.
  2. The summer time frame raised serious concerns regarding staff availability.
  3. If requested to do so, the consensus was that an easy method, preferably on on-line report would be best.
- **Information Technology Requirements:** This process will require Commission staff to make programming changes to the existing system in order to create a new WebGrants screen for data entry and data file uploads of high school graduation information. The Cal Grant Roster will need to be changed to reflect "holds" for those students who are awaiting verification from schools. This will be done either using the existing Cal Grant Roster screen or a new screen will be developed specifically for this task.

- **Fiscal/Budget Impact:** At minimum, this project may be implemented for 2007-2008. Rough cost estimate is \$50,000-\$100,000. Staffing estimate is 3–6 staff months.
- **Timeframe:** In order to ensure that advances are not delayed, all school verifications must be processed by the initial fall advance at the beginning of August.

**Other Options Considered but Not Viable:** There were a number of options considered by the Commission staff, but that were not considered viable for a number of reasons. These are as follows:

**A. Option 1—Use of the CAHSEE Statewide Database:** The California Department of Education is developing the California Longitudinal Pupil Achievement Data System (CALPADS), a statewide database which will record whether or not a student has passed the CAHSEE. The database will use unique student identifiers. The identifiers will be linked to all statewide assessments. Commission staff has been told by the State Department of Education that CALPADS will include date of graduation.

- **Implementation Steps:** Significant IT staff time would be required to match database information with the Commission’s information.
- **Barriers/Challenges:** This database is in the development phase and is expected not to be completed until sometime during 2007. Given that the Commission uses Social Security numbers and CSAC Identification Numbers in processing Cal Grant applications, Commission staff will need to explore other alternative identifiers that may be applied to identify this group of students. Current available information indicates that such a match is unlikely to be feasible.
- **IT Requirements:** A method to match data received through the ISIR with corresponding data in the CALPADS database will be required (data dictionary). A data set may need to be created to pull data from the database to ours to clear. A security agreement between the Commission and the California Department of Education would need to be executed.
- **Fiscal/Budget Impact:** Unknown until data requirements are defined.

**B. Option 2. School of Origin Report:** Utilize the *School of Origin* report to allow high school officials to report if students have met high school graduation requirements. A signature would be required to certify that the information is true and correct. Upon review of the “School of Origin Report,” Commission staff would send letters to those students who were not reported on the “School of Origin Report” as having graduated from high school. High school officials would then be notified through a Commission “Operations Memo” encouraging their participation in this process. Records for all high school Entitlement recipients would be placed “on hold,” preventing any payment until the Commission confirms their eligibility through the receipt and review of the report or document.

- **Implementation Steps:** Receipt of high school graduation verification on the School of Origin Report would impact the following operational aspects such as:
  1. Award offers placed on hold until verification is received.
  2. Even under this option, students would be required to verify high school graduation if their school did not do so, so some of the options listed earlier would need to be implemented simultaneously with this approach.

3. Advance funds would only be given to schools that have verified Cal Grant award offers.
  4. May need to reprogram the advance process to not include preliminary awards.
- **Barriers/Challenges:** Although the *School of Origin* report is available to public high schools in May, whether public high school staff will be available during the summer months to provide graduation results is a major concern. The report will not be a useful tool until the majority of the awards have been made in late spring. Given that a requirement of reporting of this type is not mandated by law, the number of schools who will actively submit this information to the Commission may be erratic, so a combination of the various options listed earlier would need to be implemented to ensure 100% verification and confirmation.

To get a better sense of high school sentiment and capabilities, a survey was done by Commission staff of high school counselors on certification of high school graduation. Responses were received from 93 high schools. Here were the questions that were asked:

1. Would the Commission's "School of Origin" report be a convenient method for high schools to confirm high school graduation? A paper copy of the report would be used to show those students who did not meet all graduation requirements.
2. Would an on-line report be easier? A counselor would log-in to the Student Aid Commission's WebGrants web site and similarly mark those students chosen for a Cal Grant that attended your school.
3. If we couldn't get a report of this type out to you until summer, would there be anyone at the school during the summer months to either work the report or to sign a graduation verification form for the student?
4. For your school are you issuing Certificates of Completion to those who do not pass the CAHSEE? Will these look different than a full diploma? If a student sends us their Certificate of Completion or a diploma, we want to know if we will be able to tell them apart.

The large majority conveyed the following concerns:

1. They did not want to have to do this.
  2. The summer time frame raised serious concerns regarding staff availability.
  3. If requested to do so, the consensus was that an easy method, preferably on on-line report would be best.
- **IT Requirements:** All existing systems must be reviewed and modified to produce the letters not certified on the report, remove the recipient from the on-hold status, and allow payments. In addition, the student interactive systems, such as WebGrants for Students and the Interactive Voice Response System, must be modified to provide up-to-date information on students' status. Commission staff may also be required to reprogram the advance process to not include preliminary awards.

**B. Option 3. Grade Point Average Verification**—Modify the GPA verification requirements (paper form and electronic specifications) to include a field for high school officials to certify that students have graduated from high school.

- **Implementation Steps:** Receipt of grade point average verification would impact the following operational aspects such as:
  1. award offers placed on hold until verification is received.
  2. advance funds only to schools that have verified Cal Grant award offers.
  3. reprogram the advance process to not include preliminary awards.
- **Barriers/Challenges:** One of the concerns with this approach is that actual high school graduation information would not be available until after the March 2<sup>nd</sup> deadline and not every student may complete a GPA Verification form. In addition, the Commission is moving towards electronic processing and some students may submit test scores in lieu of GPAs. Lastly, like some of the other options this approach would require additional options being implemented to ensure 100% verification.
- **IT Requirements:** All existing systems must be reviewed and modified to include high school graduation information. Commission staff would send letters to those students who still require graduation certification. Students not certified will remain on hold. Commission staff will need to remove hold status to allow payment. In addition, the student interactive systems, such as WebGrants for Students and the Interactive Voice Response System must be modified to provide up-to-date information on students' status. Commission staff will also be required to reprogram the advance process to not include preliminary awards.

**CALIFORNIA STUDENT AID COMMISSION**  
**CAL GRANT PROGRAMS**

Institutional Participation Agreement  
For New Postsecondary Institutions

Name of Institution: \_\_\_\_\_

Address of Institution: \_\_\_\_\_

USED School Identification Number: \_\_\_\_\_

Return to:  
California Student Aid Commission  
Program Administration & Services Division  
ATTN: School Support Services  
PO Box 419028  
Rancho Cordova, CA 95741-9028

Execution of this Agreement is mandatory for participation in the California Student Aid Commission's Cal Grant Programs.

## INTRODUCTION

- A. The minimum requirements for participation in the Cal Grant Programs for postsecondary institutions in California are established in California Education Code (CEC) 69432.7(l) and the California Code of Regulations (CCR) Title 5, Section 30009.
- (1) For non-public postsecondary institutions to participate in the Cal Grant Programs, an institution must be approved by the United States Department of Education (USED) to participate in the Federal Pell Grant program and two of the three federal campus-based student aid programs. The campus-based programs include Federal Work-Study, Federal Perkins Loan and the Federal Supplemental Educational Opportunity Grant (SEOG) programs [CEC 69432.7(l)(1)]. Specifically, participation in the campus-based programs means the postsecondary institution has been allocated funds and is spending those funds at each campus/site/branch ("campus") that Cal Grant recipients attend. These program requirements are set forth in CCR 30009(b).
  - (2) For non-public postsecondary institutions, California law allows an exception to the requirement of participation in the federal student aid programs. Cal Grant awards may be utilized at any nonprofit institution headquartered and operating in California that: (a) certifies to the Commission that ten (10) percent of the institution's operating budget, as demonstrated in an audited financial statement, is expended for the purposes of institutionally funded student financial aid in the form of grants, (b) demonstrates to the Commission that it has the administrative capability to administer the funds, and (c) is accredited by the Western Association of Schools and Colleges [CEC 69432.7(l)(2) and CCR 30009 (c)].
  - (3) A California public postsecondary educational institution or program may participate in the Cal Grant Programs [CEC 69432.7(l)(3)].
- B. Commencing with the 2001-02 academic year and each academic year thereafter, Cal Grant T awards shall be used only for tuition and student fees for a maximum of one academic year of full-time attendance in a program of professional preparation that has been approved by the California Commission on Teacher Credentialing [CEC 69440(a)].
- C. An otherwise qualifying institution shall be deemed disqualified if it no longer possesses all of the requirements for a qualifying institution [CCR 30009(d)].
- D. If a shift in control or change of ownership of an institution occurs, the Agreement expires and the institution's Cal Grant participation ends on the date of the shift in control or change of ownership. If the new controlling party or new owner wishes to continue Cal Grant participation, a new Agreement must be completed.
- E. This Agreement covers only campus(es) indicated on this Agreement. A new Agreement is required for any additional campus.
- F. As used in this Agreement, "academic year" and "award year" mean July 1 to June 30 as defined in CEC 69432.7.

## **ARTICLE I**

### **Participation**

The Commission and \_\_\_\_\_ hereafter referred to as the "Institution" agree to the terms contained in this Agreement.

This Agreement governs the Institution's eligibility to participate in and ability to receive funds for all of the Cal Grant Programs administered by the Commission.

## **ARTICLE II**

### **General Provisions**

- A. The Institution agrees to use Cal Grant funds provided to it solely for the purposes specified, and in accordance with the provisions set forth in the respective program statutes, federal and state regulations and procedures, the California Grant Programs Manual including manual updates, policy bulletins, operations memos, and special alerts.
- B. The Institution acknowledges that no Cal Grant funds have been authorized for a fiscal year until such time as that fiscal year's budget has been adopted by the Legislature and signed by the Governor. It is further understood that if such funds are not approved for a fiscal year, the State and the Commission shall be relieved of further payments and this Agreement will be canceled; if proposed funding amounts are reduced, this Agreement will be limited to the approved amounts only.
- C. The Institution agrees to maintain standards of administrative capability and financial stability in accordance with state and federal law and regulations as applicable. The Institution shall maintain documentation that allows the Commission to determine its adherence to fiscal responsibility and standards.
- D. The Institution agrees to establish written policies and procedures that provide security and confidentiality of all recipients' personal identification information, payments, financial history and other related confidential information and documents as required under state and federal law and regulations.
- E. When the Institution participates through the Commission's electronic system, the Institution agrees to comply with the Information Security and Confidentiality Agreement.
- F. The Institution agrees to maintain a current designation of individuals who are responsible for coordinating and communicating with the Commission on matters related to the provisions of this Agreement.
- G. The Institution shall maintain written policies and procedures governing the administration and processing of Cal Grant funds under this Agreement.
- H. The Institution agrees to retain comprehensive and accurate program and fiscal records that demonstrate institutional and student eligibility that fully documents the accuracy of the grant payments reported and the right of the Institution to receive or retain payments made by the Commission for a period of three (3) years following the last day of the period for which the grant was intended.

- I. The Institution agrees to make available at the time of program compliance review, or at the request of the Commission, any records and personnel related to the administration of the Commission's Cal Grant Programs.
- J. The Institution agrees that it is subject to and must comply with all current and applicable state and federal law and regulations in its enforcement of the terms of this Agreement. The Institution agrees that noncompliance with any of these provisions may result in the termination of this Agreement and the privileges that are afforded under it. The Commission shall provide the Institution written notice of its intent to terminate the Agreement ten (10) days prior to such action.

### **ARTICLE III**

#### **Cal Grant Account Maintenance – Institutional Responsibilities**

- A. The Institution agrees to maintain all Commission Cal Grant funds in a designated account identified as the property of the State either by a ledger account or a bank account.
  - 1) The Institution may deposit funds from various sources including Cal Grant funds into one bank account, but must identify the Cal Grant funds by using subsidiary ledgers. All activity (deposits and expenditures) of Cal Grant funds must be supported by appropriate accounting records in accordance with generally accepted accounting principles and practices.
  - 2) The Institution may establish a separate bank account designated for Cal Grant funds.
  - 3) Interest earned on Cal Grant funds in these accounts must be returned to the Commission on behalf of the State.
- B. Should the Institution close, lose federal financial aid eligibility, or no longer meet the statutory definition of an eligible institution, or upon termination of this Agreement, the Institution agrees to return any undisbursed funds or pay any outstanding invoices within ten (10) days.
- C. The Institution agrees to maintain a current designation of individuals who are responsible for Cal Grant account maintenance and adherence to accepted accounting practices and principles. The Institution also agrees to maintain a separate designation of individuals who authorize and disburse Cal Grant funds so that no one individual is responsible for both functions.

### **ARTICLE IV**

#### **Cal Grant Disbursement - Institutional Responsibilities**

The Institution understands and agrees to carry out the following responsibilities at the time Cal Grant funds are transferred to the recipient or to the recipient's account. These must include but are not limited to:

A. Verification of Eligibility: Verify the recipient meets all eligibility and program requirements and resolve any conflicting information before disbursing Cal Grant funds.

B. Confirmation of Eligibility: Confirm and document that students listed on a Commission roster or other award notification meet basic eligibility requirements including California residency, financial need and appropriate program eligibility.

C. Disbursement of Cal Grant Funds:

- 1) Establish a written disbursement policy consistent with the Commission's policies and guidelines.
- 2) Establish a written disbursement schedule consistent with the start dates of the Institution's enrollment periods and in accordance with the applicable requirements specified for each educational program.
- 3) Determine course attendance according to the recipient's attendance status at the time Cal Grant funds are paid. Disburse "Access" and "Books and Supplies" payments within ten (10) days of verification of enrollment status.
- 4) Disburse no more than that which the recipient is eligible to receive per academic term. The Institution must use its institutional refund policy to determine the portion to be returned to the Commission on behalf of the State. Cal Grant funds may not be used for reimbursement to the federal government.
- 5) Regularly submit payment transactions through WebGrants, data files, or the Grant Roster.
- 6) Make all disbursements no later than September 30 following the end of the award year (e.g., September 30, 2003, for award year 2002-03).
- 7) Establish and publish a policy that informs students of their options regarding receipt of Cal Grant funds and their subsequent ability to rescind their existing instructions at any time.

D. Accounting/Reconciliation:

- 1) Maintain an accounting system which conforms to generally accepted accounting principles and practices that includes such items as, but is not limited to, cash receipts and disbursement journals, bank account reconciliation, evidence of receipt of funds by recipients or credit of funds to recipients, and all other accounting records necessary to account for all transactions.
- 2) Reconcile all Cal Grant funds received and disbursed by the Institution no later than October 15 following the award year (e.g., October 15, 2003, for the 2002-03 award year). The Institution must report adjusted payment transactions for payment transactions previously reported in error that result in a payment exceeding the recipient's eligibility.

Upon final reconciliation by the Institution, the Institution shall repay any Cal Grant funds in excess of the reconciled amount to the Commission. Upon final reconciliation by the Commission, the Institution shall be invoiced for excess funds.

The invoice shall be due and payable to the Commission within 30 days of receipt of the invoice. The Institution agrees to resolve any reconciliation discrepancies with the Commission.

- 3) Submit annual College Cost Estimates to the Commission by the deadline specified.
  - 4) Certify the accuracy of all payment transactions submitted to the Commission. Certification of electronic submissions (WebGrants and data files) must be provided through the Information Security and Confidentiality Agreement. Signatures from the financial aid and accounting offices demonstrate certification for paper Grant Rosters.
  - 5) Agree to reconcile Cal Grant program expenditures for each award year on a student-by-student basis. The Institution certifies that it has paid each student an amount that reconciles to the Commission's records for both Cal Grant funds expended and student attendance. An institution may not apply excess Cal Grant funds to any other student's account or to any prior year accounts.
  - 6) Recalculate, if a recipient withdraws, drops out or is expelled for a term for which a payment has been made, based upon the Institution's repayment policy, whether an overpayment has been made to the recipient and whether the recipient owes a repayment to the Commission.
  - 7) Agree to pay any institutional liability that is determined as a result of a program compliance or an audit review within thirty (30) days of the determination or in the time specified in the program review report.
  - 8) Liability to the Commission for the Institution's actions or omissions under this Agreement shall not exceed the actual amount of Cal Grant funds that the Institution is not entitled to retain.
  - 9) Failure by the Institution to take action on Cal Grant funds that the Institution is ineligible to retain may constitute noncompliance and may result in the termination of this Agreement thereby terminating the Institution's participation in the Cal Grant Programs.
- E. The Institution agrees to maintain a current designation of individuals who are responsible for Cal Grant disbursement and adherence to accepted accounting practices and principles. The Institution also agrees to maintain a separate designation of individuals who authorize and disburse Cal Grant funds so that no one individual is responsible for both functions.

## **ARTICLE V**

### **Cal Grant Program Guidelines - Commission's Responsibilities**

- A. Determine new applicants' initial eligibility for Commission-administered grant programs by evaluating their financial information and program specific data as provided on the Free Application for Federal Student Aid (FAFSA), the verified Grade Point Average, and any other selection process.

- B. Provide the Institution with guidelines, information, and ongoing assistance with respect to the Institution's administration of the Cal Grant Programs.
- C. Identify recipients who are in default on any educational loans as indicated by the FAFSA information.
- D. Generate and provide electronic data files and Grant Rosters that include names, Social Security Numbers and payment amounts of eligible recipients to the Institution.
- E. Provide the Institution with instructions for completing payment transactions.
- F. Notify the Institution of accepted and rejected payment transactions.
- G. Reconcile accepted payment transactions.
- H. Provide the State Controller's Office with the documentation needed to issue Electronic Funds Transfer (EFT) or mail warrants for payment to the Institution.
- I. Provide the Institution with regularly updated electronic data and Grant Rosters identifying reconciled payments.
- J. Invoice the Institution for funds due the Commission as a result of the final reconciliation process and notify the Institution if funds will be withheld pending the return of delinquent repayments.
- K. Retain records relative to Commission grants and grant payments for a period of three (3) years following the last day of the award year.
- L. Review and audit the Institution's management of Cal Grant funds for compliance with state and federal law and regulations and Commission policies.

## **ARTICLE VI**

### **Agreement Duration**

This Agreement is effective when it is executed by the Commission's representative. This is generally later than its execution by the Institution's representatives. It supersedes any prior Agreements executed between the Commission and the Institution, and automatically terminates upon the occurrence of any of the conditions below:

- A. The Institution undergoes a change which results in change of ownership or control; or
- B. The Institution closes or ceases operation; or
- C. The Institution or site no longer possesses all of the requirements for a qualifying institution; or
- D. The Commission's representative requests termination of this Agreement in writing; or
- E. The Institution's Chief Executive Officer requests termination of this Agreement in writing; or
- F. June 30, 2007.

**ARTICLE VII**

**Certification**

As Chief Executive Officer of this Institution, I agree that this Institution and its “campus(es)” (if any) will comply with all state and federal statutes and regulations, rules, and guidelines applicable under this Agreement.

Name and Address of Main Campus: USED School  
Identification Number

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Name(s), Address(es), and Phone Number(s) of Branch USED School  
Identification Number  
Campus(es) included in this Agreement:

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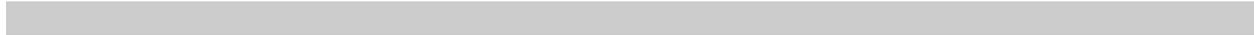
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Please indicate which of the following section(s) establish your Institution’s eligibility to participate in the Cal Grant Programs. Many institutions’ eligibility is established through Section 69432.7(l)(1) or (3) or 69440(a) of the CEC. If your Institution is seeking to establish eligibility through Section 69432.7(l)(2) of the CEC, please complete the attached “Financial Statement and Demonstration of Administrative Capability to Participate in the Cal Grant Programs” form.

Section 69432.7(l)(1) of the CEC states: “Qualifying institution” means the following:

***“Any California private or independent postsecondary educational institution that participates in the Pell Grant program and in at least two of the following federal campus-based student aid programs: (A) Federal Work-Study, (B) Perkins Loan Program, [and] (C) Supplemental Educational Opportunity Grant Program [SEOG].” Participation in the campus-based programs means the Institution or site has applied for, been allocated funds, and is spending those funds. Participation in the Federal Pell Grant program means that students are eligible to be paid Federal Pell Grant funds for attendance at the Institution.***

...

Initial if applicable:

\_\_\_\_\_ I hereby certify that this Institution meets the requirements of Section 69432.7(l)(1) of the CEC.

Section 69432.7(l)(3) of the CEC states:

***“Any California public postsecondary educational institution.”***

Initial if applicable:

\_\_\_\_\_ I hereby certify that this Institution meets the requirements of Section 69432.7(l)(3) of the CEC.

Section 69440(a) of the CEC states:

***“Commencing with the 2001-02 academic year, and each academic year thereafter, Cal Grant T awards shall be used only for tuition and student fees for a maximum of one academic year of full-time attendance in a program of professional preparation that has been approved by the California Commission on Teacher Credentialing.”***

Initial if applicable:

\_\_\_\_\_ I hereby certify that this Institution meets the requirements of Section 69440(a) of the CEC.

\_\_\_\_\_ I will immediately notify the Commission if the Institution ceases to be eligible under Sections 69432.7(l)(1) or (3), 69440(a) of the CEC, or Article VI of this Agreement.

**Additional requirements:**

Section 66290 of the CEC states:

***“Prior to receipt of any state financial assistance or state student financial aid, a postsecondary educational institution shall provide assurance to the agency administering the funds, in the manner required by the funding agency, that each program or activity conducted by the postsecondary educational institution will be conducted in compliance with this chapter and all other applicable provisions of state law prohibiting discrimination on the basis of sex. A single assurance, not more than one page in length and signed by an appropriate responsible official of the postsecondary educational institution, may be provided for all the programs and activities conducted by a postsecondary educational institution.”***





# OPERATIONS MEMO

Update of the California Student Aid Commission

June 18, 2003

GOM 2003-05

**TO:** Financial Aid Administrators

**FROM:**   
Jim Garcia,  
Chief, Grant Services Division

**CONTACT:** Grant Services Division  
**Phone:** (916) 526-7590 or (888) 294-0153  
**Fax:** (916) 526-8002  
**E-mail:** [custsvcs@csac.ca.gov](mailto:custsvcs@csac.ca.gov)

**SUBJECT:** Clarification of Specific Articles in New Institutional Participation Agreement (IPA)

The Commission recently prepared a new agreement for schools wishing to continue participation in the Cal Grant program. The existing IPA expires June 30, 2003. The effective date of the new IPA is July 1, 2003, and it expires June 30, 2007. The new IPA incorporates legislative, operational and technical changes made since the last IPA in July 2000.

Some members of the financial aid community have expressed concerns about the new IPA and have requested clarification. The Grant Advisory Committee (GAC) discussed the following items at its May 29, 2003 meeting:

- **Verification of Eligibility:** Article IV(A) ("Verify the recipient meets all eligibility and program requirements and resolve any conflicting information before disbursing Cal Grant funds.")
  - *As with any federal, state, or any institutional program, funds should not be disbursed unless the student is eligible. As in the past, this requires an institution that has documentation on file that is contrary to the information the Commission used to offer an award to resolve and report conflicts to the Commission. At a minimum, the institution must maintain a current award year FAFSA record on file for each Cal Grant recipient.*
  - *An institution is not required to recalculate GPAs, document student files with high school graduation dates, or recalculate data that the Commission has already calculated to affirm a student's grant eligibility absent conflicting information in the institution's possession.*
- **Rescission of Instructions of Use of Grant Funds:** Article IV(C)(7) ("Establish and publish a policy that informs students of their options regarding receipt of Cal Grant funds and their subsequent ability to rescind their existing instructions at any time.")



State of California  
Gray Davis  
Governor

For more information you may contact us at:  
California Student Aid Commission, Grant Services Division  
P.O. Box 419027, Rancho Cordova, CA 95741-9027 (916) 526-7592 Fax: (916) 526-8002  
Website: [www.csac.ca.gov](http://www.csac.ca.gov) email: [custsvcs@csac.ca.gov](mailto:custsvcs@csac.ca.gov)

- *Many schools ask students to authorize the school to apply Cal Grant B Access funds to their tuition/fees or other school accounts. This practice continues to be acceptable; the terms and conditions should be provided in writing to all students. Since the Commission is no longer requiring a positive “opt-in”, the student has the right to “rescind” the authorization at any time prior to the date that the fund transaction actually occurs.*
- *If a student rescinds the authorization after the school has applied the Access Grant to his or her tuition/fees or school account, the institution would no longer apply the Access Grant to tuition or fees in the **future** but does not have to refund disbursements made prior to any rescission.*
- **Overpayment/Refund of Cal Grant funds:** Article IV(D)(6) (“ Recalculate, if a recipient withdraws, drops out or is expelled for a term for which a payment has been made, based upon the institution’s repayment policy, whether an overpayment has been made to the recipient and whether the recipient owes a repayment to the Commission.”)
  - *If a student’s enrollment status changes, the institution must review its institutional refund policy and make adjustments to a student’s Cal Grant award pursuant to its own refund or repayment policies. For example, if a school’s refund policy says that a student’s annual tuition/fees will be reduced by half of the original amount for a term of non-attendance, then the Commission will expect a comparable adjustment of the Cal Grant award that is designated for tuition/fees.*
  - *Cal Grant Access awards disbursed to students are not subject to this provision.*

The new IPA will be used by the Commission to determine institutional program compliance beginning with the 2003-04 award year. The previous IPA will be used to determine compliance for award years prior to 2003-04.

The Commission is in the process of developing a set of examples of how institutions fit Cal Grants into their refund procedures. The samples will come from several of the postsecondary education segments and will be available on the Commission’s web site. A notice will be posted on the Commission’s List Services when the document is complete and has been posted on the web site.

If you have additional questions, please contact Gloria Falcon at (916) 526-8238.

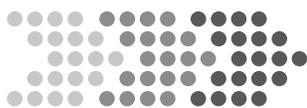


# FAFSA

July 1, 2006 — June 30, 2007

FREE APPLICATION FOR FEDERAL STUDENT AID

OMB # 1845-0001



Use this form to apply free for federal and state student grants, work-study and loans.

Or apply free online at [www.fafsa.ed.gov](http://www.fafsa.ed.gov).

### Applying by the Deadlines

For federal aid, submit your application as early as possible, but no earlier than January 1, 2006. We must receive your application no later than July 2, 2007. Your college must have your correct, complete information by your last day of enrollment in the 2006-2007 school year.

For state or college aid, the deadline may be as early as January 2006. See the table to the right for state deadlines. You may also need to complete additional forms. Check with your high school guidance counselor or a financial aid administrator at your college about state and college sources of student aid and deadlines.

If you are filing close to one of these deadlines, we recommend you file online at [www.fafsa.ed.gov](http://www.fafsa.ed.gov). This is the fastest and easiest way to apply for aid.

### Using Your Tax Return

If you are supposed to file a 2005 federal income tax return, we recommend that you complete it before filling out this form. If you have not yet filed your return, you can still submit your FAFSA, but you must provide income and tax information. Once you file your tax return, correct any income or tax information that is different from what you initially submitted on your FAFSA.

### Filling Out the FAFSA

Your answers on this form will be read electronically. Therefore:

- use black ink and fill in ovals completely:
- print clearly in CAPITAL letters and skip a box between words:
- report dollar amounts (such as \$12,356.41) like this:

Correct ● Incorrect ✗ ✓

I 5 E L M S T

\$ 1 2 , 3 5 6 no cents

Blue is for student information and purple is for parent information.

If you or your family has unusual circumstances (such as loss of employment), complete this form to the extent you can, then submit it as instructed and consult with the financial aid office at the college you plan to attend.

For more information or help in filling out the FAFSA, call 1-800-4-FED-AID (1-800-433-3243). TTY users may call 1-800-730-8913. Or visit our Web site at [www.studentaid.ed.gov](http://www.studentaid.ed.gov).

### Mailing Your FAFSA

After you complete this application, make a copy of pages 3 through 6 for your records. Then mail the original of only pages 3 through 6 in the attached envelope or send it to: Federal Student Aid Programs, P.O. Box 4691, Mt. Vernon, IL 62864-0059. Do not send the worksheets on page 8; keep them for your records.

If you do not receive the results of your application—a *Student Aid Report* (SAR)—within three weeks, please check online at [www.fafsa.ed.gov](http://www.fafsa.ed.gov) or call 1-800-433-3243. If you provided your e-mail address in question 13, you will receive information about your application within a few days after we process it.

### Let's Get Started!

Now go to page 3, detach the application form and begin filling it out. Refer to the notes as instructed.

### STATE AID DEADLINES

File Online and File On Time  
[www.fafsa.ed.gov](http://www.fafsa.ed.gov)

- AK April 15, 2006 (date received)
- AR For Academic Challenge - June 1, 2006 (date received)  
For Workforce Grant - Contact your financial aid administrator.
- AZ June 30, 2007 (date received)
- \*^CA For initial awards - March 2, 2006  
For additional community college awards - September 2, 2006 (date postmarked)
- \*DC June 30, 2006 (date received by state)
- DE April 15, 2006 (date received)
- FL May 15, 2006 (date processed)
- ^IA July 1, 2006 (date received)
- #IL First-time applicants - September 30, 2006  
Continuing applicants - August 15, 2006 (date received)
- IN March 10, 2006 (date received)
- #\*KS April 1, 2006 (date received)
- #KY March 15, 2006 (date received)
- #^LA May 1, 2006  
Final deadline - July 1, 2006 (date received)
- #^MA May 1, 2006 (date received)
- MD March 1, 2006 (date received)
- ME May 1, 2006 (date received)
- MI March 1, 2006 (date received)
- MN 30 days after term starts (date received)
- MO April 1, 2006 (date received)
- #MT March 1, 2006 (date received)
- NC March 15, 2006 (date received)
- ND March 15, 2006 (date received)
- NH May 1, 2006 (date received)
- ^NJ June 1, 2006, if you received a Tuition Aid Grant in 2005-2006  
All other applicants  
- October 1, 2006, fall & spring terms  
- March 1, 2007, spring term only (date received)
- \*^NY May 1, 2007 (date received)
- OH October 1, 2006 (date received)
- #OK April 15, 2006  
Final deadline - June 30, 2006 (date received)
- #OR March 1, 2006 (date received)  
Final deadline - Contact your financial aid administrator.
- \*PA All 2005-2006 State Grant recipients & all non-2005-2006 State Grant recipients in degree programs - May 1, 2006  
All other applicants - August 1, 2006 (date received)
- #RI March 1, 2006 (date received)
- SC June 30, 2006 (date received)
- TN For State Grant - May 1, 2006  
For State Lottery - September 1, 2006 (date received)
- \*^WV March 1, 2006 (date received)  
Check with your financial aid administrator for these states and territories:  
AL, \*AS, CO, \*CT, \*FM, GA, \*GU, \*HI, ID, \*MH, \*MP, MS, \*NE, \*NM, \*NV, PR, \*PW, \*SD, \*TX, UT, \*VA, \*VI, \*VT, WA, WI and \*WY.  
# For priority consideration, submit application by date specified.  
^ Applicants encouraged to obtain proof of mailing.  
\* Additional form may be required.

STATE AID DEADLINES

### Notes for questions 14 – 15 (page 3)

If you are an eligible noncitizen, write in your eight- or nine-digit Alien Registration Number. Generally, you are an eligible noncitizen if you are (1) a U.S. permanent resident with a Permanent Resident Card (I-551); (2) a conditional permanent resident (I-551C); or (3) the holder of an Arrival-Departure Record (I-94) from the Department of Homeland Security showing any one of the following designations: “Refugee,” “Asylum Granted,” “Parolee” (I-94 confirms paroled for a minimum of one year and status has not expired) or “Cuban-Haitian Entrant.” If you are in the U.S. on an F1 or F2 student visa, a J1 or J2 exchange visitor visa, or a G series visa (pertaining to international organizations), you must fill in oval c. If you are neither a citizen nor an eligible noncitizen, you are not eligible for federal student aid. However, you may be eligible for state or college aid.

### Notes for question 23 (page 3) — Enter the correct number in the box in question 23.

Enter **1** for 1<sup>st</sup> bachelor’s degree.

Enter **2** for 2<sup>nd</sup> bachelor’s degree.

Enter **3** for associate degree (occupational or technical program).

Enter **4** for associate degree (general education or transfer program).

Enter **5** for certificate or diploma for completing an occupational, technical, or educational program of less than two years.

Enter **6** for certificate or diploma for completing an occupational, technical, or educational program of at least two years.

Enter **7** for teaching credential program (nondegree program).

Enter **8** for graduate or professional degree.

Enter **9** for other/undecided.

### Notes for question 24 (page 3) — Enter the correct number in the box in question 24.

Enter **0** for never attended college & 1st year undergraduate.

Enter **1** for attended college before & 1st year undergraduate.

Enter **2** for 2nd year undergraduate/sophomore.

Enter **3** for 3rd year undergraduate/junior.

Enter **4** for 4th year undergraduate/senior.

Enter **5** for 5th year/other undergraduate.

Enter **6** for 1st year graduate/professional.

Enter **7** for continuing graduate/professional or beyond.

### Notes for questions 29 – 30 (page 3)

Some states and colleges offer aid based on the level of schooling your parents completed.

### Notes for questions 33 c. and d. (page 4) and 71 c. and d. (page 5)

If you filed or will file a foreign tax return, or a tax return with Puerto Rico, Guam, American Samoa, the U.S. Virgin Islands, the Marshall Islands, the Federated States of Micronesia, or Palau, use the information from that return to fill out this form. If you filed a foreign return, convert all figures to U.S. dollars, using the exchange rate that is in effect today. To view the daily exchange rate, go to [www.federalreserve.gov/releases/h10/update](http://www.federalreserve.gov/releases/h10/update).

### Notes for questions 34 (page 4) and 72 (page 5)

In general, a person is eligible to file a 1040A or 1040EZ if he or she makes less than \$100,000, does not itemize deductions, does not receive income from his or her own business or farm, and does not receive alimony. A person is not eligible if he or she itemizes deductions, receives self-employment income or alimony, or is required to file Schedule D for capital gains. If you filed a 1040 only to claim Hope or Lifetime Learning credits, and you would have otherwise been eligible for a 1040A or 1040EZ, you should answer “Yes” to this question.

### Notes for questions 37 (page 4) and 75 (page 5) — Notes for those who filed a 1040EZ

On the 1040EZ, if a person answered “Yes” on line 5, use EZ worksheet line F to determine the number of exemptions (\$3,200 equals one exemption). If a person answered “No” on line 5, enter 01 if he or she is single, or 02 if he or she is married.

### Notes for questions 43 – 45 (page 4) and 81 – 83 (page 5)

By applying online at [www.fafsa.ed.gov](http://www.fafsa.ed.gov), you may be eligible to skip some questions. If you do not apply online, you will not be penalized for completing questions 43-45 and 81-83 on the paper FAFSA.

**Net worth** means current value minus debt. If net worth is one million dollars or more, enter \$999,999. If net worth is negative, enter 0.

**Investments include** real estate (do not include the home you live in), trust funds, money market funds, mutual funds, certificates of deposit, stocks, stock options, bonds, other securities, Coverdell savings accounts, college savings plans, installment and land sale contracts (including mortgages held), commodities, etc. For more information about reporting education savings plans, call 1-800-433-3243. *Investment value* includes the market value of these investments as of today. *Investment debt* means only those debts that are related to the investments.

**Investments do not include** the home you live in, the value of life insurance, retirement plans (pension funds, annuities, noneducation IRAs, Keogh plans, etc.), and prepaid tuition plans, or cash, savings, and checking accounts already reported in 43 and 81.

**Business and/or investment farm value includes** the market value of land, buildings, machinery, equipment, inventory, etc. Business and/or investment farm debt means only those debts for which the business or investment farm was used as collateral.

### Notes for question 54 (page 4)

Answer “No” (you are not a veteran) if you (1) have never engaged in active duty in the U.S. Armed Forces, (2) are currently an ROTC student or a cadet or midshipman at a service academy, or (3) are a National Guard or Reserves enlistee activated only for training. Also answer “No” if you are currently serving in the U.S. Armed Forces and will continue to serve through June 30, 2007.

Answer “Yes” (you are a veteran) if you (1) have engaged in active duty in the U.S. Armed Forces (Army, Navy, Air Force, Marines or Coast Guard) or are a National Guard or Reserve enlistee who was called to active duty for purposes other than training, or were a cadet or midshipman at one of the service academies, **and** (2) were released under a condition other than dishonorable. Also answer “Yes” if you are not a veteran now but will be one by June 30, 2007.



# FAFSA

July 1, 2006 — June 30, 2007  
FREE APPLICATION FOR FEDERAL STUDENT AID

OMB # 1845-0001

## Step One: For questions 1–30, leave blank any questions that do not apply to you (the student).

1-3. Your full name (as it appears on your Social Security card)

1. LAST NAME  2. FIRST NAME  3. MIDDLE INITIAL

4-7. Your permanent mailing address

4. NUMBER AND STREET (INCLUDE APT. NUMBER)

5. CITY (AND COUNTRY IF NOT U.S.)  6. STATE  7. ZIP CODE

8. Your Social Security Number

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9. Your date of birth

/ /

10. Your permanent telephone number

( )   -

11-12. Your driver's license number and state (if any)

11. LICENSE NUMBER  12. STATE

13. Your e-mail address

WE WILL USE THIS E-MAIL ADDRESS TO CORRESPOND WITH YOU. YOU WILL RECEIVE YOUR FAFSA INFORMATION THROUGH A SECURE LINK ON THE INTERNET, SENT TO THE E-MAIL ADDRESS YOU PROVIDE. LEAVE BLANK TO RECEIVE INFORMATION THROUGH REGULAR MAIL. WE WILL ONLY SHARE THIS ADDRESS WITH THE SCHOOLS YOU LIST ON THE FORM AND YOUR STATE. THEY MAY USE THE E-MAIL ADDRESS TO COMMUNICATE WITH YOU.

@

14. Are you a U.S. citizen? Pick one. See page 2.

- a. Yes, I am a U.S. citizen. Skip to question 16.  1
- b. No, but I am an eligible noncitizen. Fill in question 15.  2
- c. No, I am not a citizen or eligible noncitizen.  3

15.

ALIEN REGISTRATION NUMBER

16. What is your marital status as of today?

- I am single, divorced or widowed  1
- I am married/remarried  2
- I am separated  3

17. Month and year you were married, separated, divorced or widowed

MONTH YEAR

18. What is your state of legal residence?

STATE

19. Did you become a legal resident of this state before January 1, 2001?

Yes  1 No  2

MONTH YEAR

20. If the answer to question 19 is "No," give month and year you became a legal resident.

21. Are you male? (Most male students must register with Selective Service to get federal aid.)

Yes  1 No  2

22. If you are male (age 18–25) and not registered, answer "Yes" and Selective Service will register you.

Yes  1 No  2

23. What degree or certificate will you be working on during 2006–2007 school year? See page 2 and enter the correct number in the box.

24. What will be your grade level when you begin the 2006–2007 school year? See page 2 and enter the correct number in the box.

25. Will you have a high school diploma or GED before you begin the 2006–2007 school year?

Yes  1 No  2

26. Will you have your first bachelor's degree before July 1, 2006?

Yes  1 No  2

27. In addition to grants, are you interested in student loans (which you must pay back)?

Yes  1 No  2

28. In addition to grants, are you interested in "work-study" (which you earn through work)?

Yes  1 No  2

29. Highest school your father completed Middle school/Jr. High  1 High School  2 College or beyond  3 Other/unknown  4

30. Highest school your mother completed Middle school/Jr. High  1 High School  2 College or beyond  3 Other/unknown  4

31. Do not leave this question blank. Have you ever been convicted of possessing or selling illegal drugs? If you have, answer "Yes," complete and submit this application, and we will send you a worksheet in the mail for you to determine if your conviction affects your eligibility for aid.

No  1 Yes  3

DO NOT LEAVE QUESTION 31 BLANK





**Step Five: Complete this step only if you (the student) answered "Yes" to any Step Three question.**

84. Go to page 7 to determine how many people are in your (and your spouse's) household. Enter that number here.

|  |  |
|--|--|
|  |  |
|--|--|

85. Go to page 7 to determine how many people in question 84 will be college students, attending at least half time between July 1, 2006, and June 30, 2007. Enter that number here.

|  |
|--|
|  |
|--|

**Step Six: Please tell us which schools may request your information, and indicate your enrollment status.**

Enter the 6-digit federal school code and your housing plans. Look for the federal school codes at [www.fafsa.ed.gov](http://www.fafsa.ed.gov), at your college financial aid office, at your public library, or by asking your high school guidance counselor. If you cannot get the federal school code, write in the complete name, address, city and state of the college. For state aid, you may wish to list your preferred school first.

|     |   |                  |   |                                     |  |                                    |  |  |    |   |  |  |  |
|-----|---|------------------|---|-------------------------------------|--|------------------------------------|--|--|----|---|--|--|--|
| 86. | 1ST FEDERAL SCHOOL CODE   | NAME OF COLLEGE  | STATE   | HOUSING PLANS                       |  |                                    |  |  |    |   |  |  |  |
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| 88. | 2ND FEDERAL SCHOOL CODE   | NAME OF COLLEGE  | STATE   | HOUSING PLANS                       |  |                                    |  |  |    |   |  |  |  |
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| 90. | 3RD FEDERAL SCHOOL CODE   | NAME OF COLLEGE  | STATE   | HOUSING PLANS                       |  |                                    |  |  |    |   |  |  |  |
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| 92. | 4TH FEDERAL SCHOOL CODE   | NAME OF COLLEGE  | STATE   | HOUSING PLANS                       |  |                                    |  |  |    |   |  |  |  |
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| 94. | 5TH FEDERAL SCHOOL CODE   | NAME OF COLLEGE  | STATE   | HOUSING PLANS                       |  |                                    |  |  |    |   |  |  |  |
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|     |   | ADDRESS AND CITY | <table border="1"><tr><td></td><td></td></tr></table> |                                     |  | off campus <input type="radio"/> 2 |  |  |    |   |  |  |  |
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|     |   |                  |   | with parent <input type="radio"/> 3 |  |                                    |  |  |    |   |  |  |  |
| 96. | 6TH FEDERAL SCHOOL CODE   | NAME OF COLLEGE  | STATE   | HOUSING PLANS                       |  |                                    |  |  |    |   |  |  |  |
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|     |   | ADDRESS AND CITY | <table border="1"><tr><td></td><td></td></tr></table> |                                     |  | off campus <input type="radio"/> 2 |  |  |    |   |  |  |  |
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|     |   |                  |   | with parent <input type="radio"/> 3 |  |                                    |  |  |    |   |  |  |  |

98. See page 7. At the start of the 2006-2007 school year, mark if you will be:

|           |                         |          |                         |           |                         |                     |                         |          |                         |
|-----------|-------------------------|----------|-------------------------|-----------|-------------------------|---------------------|-------------------------|----------|-------------------------|
| Full time | <input type="radio"/> 1 | 3/4 time | <input type="radio"/> 2 | Half time | <input type="radio"/> 3 | Less than half time | <input type="radio"/> 4 | Not sure | <input type="radio"/> 5 |
|-----------|-------------------------|----------|-------------------------|-----------|-------------------------|---------------------|-------------------------|----------|-------------------------|

**Step Seven: Read, sign and date.**

If you are the student, by signing this application you certify that you (1) will use federal and/or state student financial aid only to pay the cost of attending an institution of higher education, (2) are not in default on a federal student loan or have made satisfactory arrangements to repay it, (3) do not owe money back on a federal student grant or have made satisfactory arrangements to repay it, (4) will notify your school if you default on a federal student loan and (5) will not receive a Federal Pell Grant for more than one school for the same period of time.

If you are the parent or the student, by signing this application you agree, if asked, to provide information that will verify the accuracy of your completed form. This information may include U.S. or state income tax forms that you filed or are required to file. Also, you certify that you understand that **the Secretary of Education has the authority to verify information reported on this application with the Internal Revenue Service and other federal agencies.** If you sign any document related to the federal student aid programs electronically using a Personal Identification Number (PIN), you certify that you are the person identified by the PIN and have not disclosed that PIN to anyone else. If you purposely give false or misleading information, you may be fined \$20,000, sent to prison, or both.

99. Date this form was completed.

|   |  |  |  |  |      |                       |    |                       |      |
|---|--|--|--|--|------|-----------------------|----|-----------------------|------|
| <table border="1"><tr><td></td><td></td><td></td><td></td></tr></table> |  |  |  |  | 2006 | <input type="radio"/> | or | <input type="radio"/> | 2007 |
|   |  |  |  |  |      |                       |    |                       |      |

100. Student (Sign below)

|   |  |
|---|--|
| 1 |  |
|---|--|

Parent (A parent from Step Four sign below)

|   |  |
|---|--|
| 2 |  |
|---|--|

If this form was filled out by someone other than you, your spouse or your parents, that person must complete this part.

Preparer's name, firm and address

|   |  |
|---|--|
| 1 |  |
|---|--|

101. Preparer's Social Security Number (or 102)

|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |  |
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102. Employer ID number (or 101)

|  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|
|  |  |  |  |  |  |  |  |  |  |
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103. Preparer's signature and date

|   |  |
|---|--|
| 1 |  |
|---|--|

**SCHOOL USE ONLY:**

Federal School Code

D/O  1

|  |  |  |  |  |  |
|--|--|--|--|--|--|
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FAA Signature

|   |  |
|---|--|
| 1 |  |
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**DATA ENTRY USE ONLY:**

P  \*  L  E

## Notes for questions 55–83 (page 5) **Step Four: Who is considered a parent in this step?**

Read these notes to determine who is considered a parent on this form. **Answer all questions in Step Four about them**, even if you do not live with them. (Note that grandparents, foster parents and legal guardians are not parents.)

If your parents are living and married to each other, answer the questions about them.

If your parent is widowed or single, answer the questions about that parent. If your widowed parent is remarried as of today, answer the questions about that parent and the person whom your parent married (your stepparent).

If your parents are divorced or separated, answer the questions about the parent you lived with more during the past 12 months. (If you did not live with one parent more than the other, give answers about the parent who provided more financial support during the past 12 months, or during the most recent year that you actually received support from a parent.) If this parent is remarried as of today, answer the questions on the rest of this form about that parent and the person whom your parent married (your stepparent).

## Notes for question 65 (page 5)

Include in your parents' household (see notes, above, for who is considered a parent):

- your parents and yourself, even if you don't live with your parents,
- your parents' other children if (a) your parents will provide more than half of their support from July 1, 2006, through June 30, 2007, or (b) the children could answer "no" to every question in Step Three on page 4 of this form, and
- other people if they now live with your parents, your parents provide more than half of their support, and your parents will continue to provide more than half of their support from July 1, 2006, through June 30, 2007.

## Notes for questions 66 (page 5) and 85 (page 6)

Always count yourself as a college student. Do not include your parents. Include others only if they will attend, at least half time in 2006-2007, a program that leads to a college degree or certificate.

## Notes for question 84 (page 6)

Include in your (and your spouse's) household:

- yourself (and your spouse, if you have one),
- your children, if you will provide more than half of their support from July 1, 2006, through June 30, 2007, and
- other people if they now live with you, you provide more than half of their support, and you will continue to provide more than half of their support from July 1, 2006, through June 30, 2007.

## Notes for question 98 (page 6)

For undergraduates, "full time" generally means taking at least 12 credit hours in a term or 24 clock hours per week. "3/4 time" generally means taking at least 9 credit hours in a term or 18 clock hours per week. "Half time" generally means taking at least 6 credit hours in a term or 12 clock hours per week. Provide this information about the college you are most likely to attend.

---

### Information on the Privacy Act and use of your Social Security Number

We use the information that you provide on this form to determine if you are eligible to receive federal student financial aid and the amount that you are eligible to receive. Sections 483 and 484 of the Higher Education Act of 1965, as amended, give us the authority to ask you and your parents these questions, and to collect the Social Security Numbers of you and your parents. We use your Social Security Number to verify your identity and retrieve your records, and we may request your Social Security Number again for those purposes.

State and institutional student financial aid programs may also use the information that you provide on this form to determine if you are eligible to receive state and institutional aid and the need that you have for such aid. Therefore, we will disclose the information that you provide on this form to each institution you list in questions 86–96, state agencies in your state of legal residence, and the state agencies of the states in which the colleges that you list in questions 86–96 are located.

If you are applying solely for federal aid, you must answer all of the following questions that apply to you: 1–9, 14–16, 18, 21–22, 25–26, 31–36, 38–45, 48–67, 70–74, 76–85 and 99–100. If you do not answer these questions, you will not receive federal aid.

Without your consent, we may disclose information that you provide to entities under a published "routine use." Under such a routine use, we may disclose information to third parties that we have authorized to assist us in administering the above programs; to other federal agencies under computer matching programs, such as those with the Internal Revenue Service, Social Security Administration, Selective Service System, Department of Homeland Security, Department of Justice and Veterans Affairs; to your parents or spouse; and to members of Congress if you ask them to help you with student aid questions.

If the federal government, the U.S. Department of Education, or an employee of the U.S. Department of Education is involved in litigation, we may send information to the Department of Justice, or a court or adjudicative body, if the disclosure is related to financial aid and certain conditions are met. In addition, we may send your information to a foreign, federal, state, or local enforcement agency if the information that you submitted indicates a violation or potential violation of law, for which that agency has jurisdiction for investigation or prosecution. Finally, we may send information regarding a claim that is determined to be valid and overdue to a consumer reporting agency. This information includes identifiers from the record; the amount, status and history of the claim; and the program under which the claim arose.

### State Certification

By submitting this application, you are giving your state financial aid agency permission to verify any statement on this form and to obtain income tax information for all persons required to report income on this form.

### The Paperwork Reduction Act of 1995

The Paperwork Reduction Act of 1995 says that no one is required to respond to a collection of information unless it displays a valid OMB control number, which for this form is 1845-0001. The time required to complete this form is estimated to be one hour, including time to review instructions, search data resources, gather the data needed, and complete and review the information collection. If you have comments about this estimate or suggestions for improving this form, please write to: U.S. Department of Education, Washington DC 20202-4700.

We may request additional information from you to process your application more efficiently. We will collect this additional information only as needed and on a voluntary basis.

# Worksheets

Calendar Year 2005

Do not mail these worksheets in with your application.  
Keep these worksheets; your school may ask to see them.

Student/Spouse

## Worksheet A

### Report Annual Amounts

Parents

| For question 40 |   | For question 78              |
|-----------------|---|------------------------------|
| \$              | Earned income credit from IRS Form 1040—line 66a; 1040A—line 41a; or 1040EZ—line 8a.  | \$                           |
| \$              | Additional child tax credit from IRS Form 1040—line 68 or 1040A—line 42   | \$                           |
| \$              | Welfare benefits, including Temporary Assistance for Needy Families (TANF). Don't include food stamps or subsidized housing.  | \$                           |
| \$              | Social Security benefits received, for all household members as reported in question 84 (or 65 for your parents), that were not taxed (such as SSI). Report benefits paid to parents in the Parents column, and benefits paid directly to student (or spouse) in the Student/Spouse column. | \$                           |
| \$              | <b>Enter in question 40.</b>  | <b>Enter in question 78.</b> |

## Worksheet B

### Report Annual Amounts

| For question 41 |  | For question 79              |
|-----------------|--|------------------------------|
| \$              | Payments to tax-deferred pension and savings plans (paid directly or withheld from earnings), including, but not limited to, amounts reported on the W-2 Form in Boxes 12a through 12d, codes D, E, F, G, H and S  | \$                           |
| \$              | IRA deductions and payments to self-employed SEP, SIMPLE, and Keogh and other qualified plans from IRS Form 1040—line 28 + line 32 or 1040A—line 17  | \$                           |
| \$              | Child support you received for all children. Don't include foster care or adoption payments.   | \$                           |
| \$              | Tax exempt interest income from IRS Form 1040—line 8b or 1040A—line 8b   | \$                           |
| \$              | Foreign income exclusion from IRS Form 2555—line 43 or 2555EZ—line 18  | \$                           |
| \$              | Untaxed portions of IRA distributions from IRS Form 1040—lines (15a minus 15b) or 1040A—lines (11a minus 11b). Exclude rollovers. If negative, enter a zero here.  | \$                           |
| \$              | Untaxed portions of pensions from IRS Form 1040—lines (16a minus 16b) or 1040A—lines (12a minus 12b). Exclude rollovers. If negative, enter a zero here.   | \$                           |
| \$              | Credit for federal tax on special fuels from IRS Form 4136—line 15 (nonfarmers only)   | \$                           |
| \$              | Housing, food and other living allowances paid to members of the military, clergy and others (including cash payments and cash value of benefits)  | \$                           |
| \$              | Veterans' noneducation benefits such as Disability, Death Pension, or Dependency & Indemnity Compensation (DIC), and/or VA Educational Work-Study allowances   | \$                           |
| \$              | Other untaxed income not reported elsewhere on Worksheets A and B (e.g., workers' compensation, untaxed portions of railroad retirement benefits, Black Lung Benefits, disability, combat pay not reported on the tax return, etc.)<br>Don't include student aid, Workforce Investment Act educational benefits, non-tax filers' combat pay, or benefits from flexible spending arrangements, e.g., cafeteria plans. | \$                           |
| \$              | Money received, or paid on your behalf (e.g., bills), not reported elsewhere on this form  | XXXXXXXX                     |
| \$              | <b>Enter in question 41.</b>   | <b>Enter in question 79.</b> |

## Worksheet C

### Report Annual Amounts

| For question 42 |   | For question 80              |
|-----------------|---|------------------------------|
| \$              | Education credits (Hope and Lifetime Learning tax credits) from IRS Form 1040—line 50 or 1040A—line 31  | \$                           |
| \$              | Child support you paid because of divorce or separation or as a result of a legal requirement. Don't include support for children in your (or your parents') household, as reported in question 84 (or question 65 for your parents).                                       | \$                           |
| \$              | Taxable earnings from need-based employment programs, such as Federal Work-Study and need-based employment portions of fellowships and assistantships   | \$                           |
| \$              | Student grant and scholarship aid reported to the IRS in your (or your parents') adjusted gross income. Includes AmeriCorps benefits (awards, living allowances and interest accrual payments), as well as grant or scholarship portions of fellowships and assistantships. | \$                           |
| \$              | <b>Enter in question 42</b>   | <b>Enter in question 80.</b> |

**Action Item*****California Student Aid Commission*****Consideration of Revised Regulations for the State Nursing Assumption  
Program of Loans for Education (SNAPLE)**

---

The California Student Aid Commission (CSAC) is required by California Education Code 69616-69617 to adopt rules and regulations for the purpose of administering the SNAPLE. After consultation with stakeholders which included the nursing community, postsecondary institution representatives, and the Office of Statewide Health Planning and Development (OSHPD), CSAC staff developed proposed SNAPLE regulations designed to implement the new program.

A stakeholder meeting was held on February 3<sup>rd</sup>, 2006 to review Commission staff's draft SNAPLE regulations and gather feedback and suggestions from nursing program and financial aid representatives. CSAC staff then incorporated recommendations made at the February 3<sup>rd</sup>, 2006 stakeholders meeting and on February 10<sup>th</sup>, 2006, revised draft regulations were shared with all stakeholder meeting attendees, members of the Grant Advisory Committee (GAC), segmental nursing program representatives and legislative staff members. On February 21<sup>st</sup>, 2006, the Commission held a GAC teleconference for committee members to discuss the SNAPLE regulatory process and provide more feedback.

On February 21<sup>st</sup>, 2006, the CSAC staff delivered a notice of the proposed regulations and other required documents to the Office of Administrative Law (OAL) to begin the regulatory adoption process. On March 3<sup>rd</sup>, 2006, OAL approved the Notice of Proposed Regulations and published the Notice in the California Regulatory Notice Register which began the 45-day public comment period. CSAC staff mailed copies of the proposed regulations to Commissioners and all stakeholders, including GAC members and postsecondary institutions.

At the GAC meeting held on March 9<sup>th</sup> and 10<sup>th</sup>, 2006, Commission staff presented the SNAPLE proposed regulations yet again and obtained additional feedback and recommendations from the GAC. This meeting was held during the 45-day public comment period and the GAC submitted their comments in writing during the public comment period.

On April 21, 2006, the Commission adopted the SNAPLE proposed rules and regulations as presented by CSAC staff. As the CSAC staff was in the process of preparing the appropriate documents to be presented to the Office of Administrative Law (OAL), late comments were received from the Department of Finance (DOF), identifying an omission that they believed was necessary for the administration of the program. According to DOF, the proposed regulations did

not specify how the Commission would determine demonstrated financial need. In consultation with legal counsel, CSAC staff determined that this change requested by DOF was a substantive change that would need to be made prior to submitting to the OAL. As a result, these changes would require an additional 15-day public comment period. Given that CSAC would be making this change, CSAC used the opportunity to make changes to the proposed regulations to incorporate many of the comments received during the initial 45-day public comment period, including those made by GAC.

CSAC legal counsel and staff worked together to incorporate the necessary changes to begin the new 15-day comment period. Changes were finalized in late June 2006 and were presented to GAC for additional review at their August 3<sup>rd</sup> workgroup meeting and their August 4<sup>th</sup> meeting. Once again, GAC comments made at these meetings were incorporated into the proposed changes by CSAC staff.

The enclosed draft regulations are being presented to the Commission for your consideration to begin the 15-day comment period that is required by law given the proposed changes that have been made since the initial approval by the Commission of the draft regulations. Once the 15-day comment period is over, the CSAC staff will submit the final regulations to OAL for approval. OAL will then have 30 business days to review and adopt the proposed regulations.

In an effort to ensure implementation of SNAPLE, the 2006-2007 State Budget re-authorized 100 new awards for the SNAPLE to be awarded upon adoption of the proposed regulations. If the proposed regulations are approved by the Commission and adopted by OAL, CSAC staff anticipates distributing application materials to participating institutions in late fall 2006.

***Recommended Action:*** Authorize staff to take the necessary steps and prepare all required documents to complete the regulatory process.

***Responsible Staff:*** Max Espinoza, Chief  
Program Administration and Services Division  
  
Catalina Mistler, Manager  
Specialized Programs Operations Branch

**CALIFORNIA STUDENT AID COMMISSION  
P.O. Box 419026  
Rancho Cordova, CA 95741-9026**

**AMENDMENT TO TITLE 5, DIVISION 4, CHAPTER 1, CA CODE OF REGULATIONS  
REGARDING IMPLEMENTATION OF STATE NURSING ASSUMPTION PROGRAM OF  
LOANS FOR EDUCATION (Educ. Code §§ 69616-69617)**

**PROPOSED TEXT**

Text proposed to be added to the California Code of Regulations is displayed in *italic* type.  
Text added to the regulations as originally proposed is displayed in underlined type.  
Text proposed to be deleted from the regulations as originally proposed is displayed in ~~strikeout~~ type.

*Article 16 17. State Nursing Assumption Program of Loans for Education*

*Section 30910. Definitions*

(a) *“Academic year” means a period from ~~July 1 of one calendar year through June 30<sup>th</sup> of the following calendar year~~ as determined by the employing regionally accredited California college or university.*

(b) *“Accredited college or university” means a college or university that has been accredited by a national or regional accrediting body, including, but not limited to, Middle States Association of Colleges and Schools, The Northwest Commission on Colleges and Universities, North Central Association of Colleges and Schools, New England Association of Schools and Colleges, Inc./Commission on Institutions of Higher Education, Southern Association of Colleges and Schools/Commission on Colleges —SACS-CG, and Western Association of Schools and Colleges/Accrediting Commission for Senior Colleges and Universities.*

(c) *“Regionally Accredited California college or university” means ~~an accredited college or university~~ that has been accredited by a regional accreditation body and that has ~~with a~~ location in California.*

(d) *“Demonstrated academic ability” means academic standing consistent with the requirements established by the accredited college or university for satisfactory progress toward graduation or the award of the graduate degree.*

(e) *“Demonstrated financial need” means financial need as determined under Article 1.5 (commencing with Section 69503) of Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code.*

(f) “Eligible noncitizen” means a United States resident as defined for financial aid purposes under Title IV of the federal Higher Education Act of 1965.

(g) “Full-time” and “full-time basis” means full-time employment, as determined by the employing regionally accredited California college or university.

(h) “Other natural causes” means a disease, or physical or mental condition involving inpatient care in a hospital or residential health care facility, or continuing treatment or continuing supervision by a health care provider, or family care and medical leave under Government Code section 12945.2 or the federal Family and Medical Leave Act of 1993.

(i) “Part-time” and “part-time basis” means part-time employment, as determined by the employing regionally accredited California college or university.

(j) “Half-time basis” means half-time enrollment as determined by the academic requirements of the participating institution.

~~(j)~~(k) “Participating institution” means an accredited college or university that has elected to participate in the program by submitting nominations of students to the Commission under the provisions of this Article.

~~(k)~~(l) “Program” means the State Nursing Assumption Program of Loans for Education established in Article 5.6 (commencing with section 69616) of Chapter 2 of Part 42 of Division 5 of Title 3 of the California Code of Education and as set forth in this Article.

~~(l)~~(m) “Program participant” means a student who has a loan assumption agreement signed by both the student and the Commission.

~~(m)~~(n) “Satisfactory academic progress” means academic standing consistent with the requirements of the accredited college or university for satisfactory progress toward the award of the graduate degree.

~~(n)~~(o) “Serious illness” means an illness involving inpatient care in a hospital or residential health care facility, or continuing treatment or continuing supervision by a health care provider, or family care and medical leave under Government Code section 12945.2 or the federal Family and Medical Leave Act of 1993.

(p) “Cost of Attendance” means the student budget at the participating institution for the nominated student that includes tuition, fees, housing, food, books, transportation and personal expenses for the year. It may also include an allowance for the rental or purchase of a computer, child care or other dependent care costs and additional expenses for students with disabilities not already covered.

#### Note

Authority cited: Section 69616.6 of the Education Code. Reference: Sections 69616.1, 69616.2, 69616.3, 69616.4, 69616.5 and 69616.7 of the Education Code.

*Section 30911. Application to Participate in the Program*

*A student enrolled in a participating institution shall submit an application to participate in the program to his or her participating institution. The application shall include the following information:*

*(a) Personal information:*

- (1) Last name, first name and middle initial;*
- (2) Social Security number;*
- (3) Address and telephone number;*
- (4) Date of birth;*
- (5) E-mail address, if available;*
- (6) California Registered Nurse License number, if available;*

*(7) a copy of the student's federal Student Aid Report generated by the United States Department of Education based upon the Free Application for Federal Student Aid (FAFSA) with an Expected Family Contribution (EFC) for the academic year in which the student applies to the program. Verification of information provided in the FAFSA and used to calculate the EFC may be requested by the Commission as necessary. Failure to provide verification in a timely manner, if requested, may result in disqualification from consideration for an award.*

*(b) Eligibility criteria information, which shall include the student's representation that the student:*

- (1) is a United States citizen or eligible noncitizen;*
- (2) is a resident of California;*
- (3) is in compliance with Selective Service requirements;*
- (4) does not owe a refund on any state or federal educational grant;*
- (5) does not currently have a delinquent or defaulted student loan.*

*(c) Information relating to criteria for being awarded a loan assumption agreement:*

*(1) Representations that the student:*

- (i) is enrolled in an academic program leading to a baccalaureate degree and is accepted to a graduate program in nursing at an accredited college or university, and the name of that college or university; or*
- (ii) has obtained a baccalaureate degree and is accepted to a graduate program in nursing at an accredited college or university, and the name of that college or university; or*
- (iii) is enrolled in a graduate program in nursing at an accredited college or university, and the name of that college or university.*

*(2) Student's agreement to:*

- (i) maintain satisfactory academic progress; and*
- (ii) teach in a nursing program on a full-time basis at one or more regionally accredited California colleges or universities for at least three consecutive academic years,*

or for five consecutive academic years on a part-time basis, immediately after obtaining a graduate degree in nursing education;

(3) The name of lender, loan identification number(s), and current balance(s) of a loan or loans the student has received, or has been approved to receive, in order to meet the costs of obtaining a graduate degree in nursing, under one or more of the following designated loan programs:

(i) the Federal Family Education Loan Program (20 U.S.C. Sec. 1071 et seq.);

(ii) the Federal Direct Loan Program (20 U.S.C. Sec. 1087b et seq.);

(iii) ~~privately funded student loans to the student issued through institutions of higher education, or financial institutions or companies, any loan program approved by the Commission on a case by case basis but not including lines of credit, home equity loans, credit card debt, and other general consumer loans, business loans, personal loans, or mortgages.;~~

(4) The student's cost of education attendance at the participating institution for the academic year of application to the program.

(d) The application shall state that by signing, the student agrees that, if requested, the student will provide information or documentation to verify the accuracy of the information included in the application, and the student understands that failure to provide accurate and complete information as requested may result in disqualification from the program and loss of program benefits. The application shall be dated and signed by the student under penalty of perjury under the laws of the State of California.

Note

Authority cited: Section 69616.6 of the Education Code. Reference: Sections 69616.1 and 69616.7 of the Education Code.

Section 30912. Nominations by a Participating Institution

(a) A participating institution may nominate one or more students who have submitted applications to participate in the program by complying with the procedures listed in this section.

~~(b)~~ The participating institution may nominate a student satisfying the requirements in this section and in section 30911 by submitting to the Commission the following:

(1) the student's application;

(2) the participating institution's certifications:

(i) that the student is enrolled in, or has been admitted into, a graduate nursing program in which the student will be enrolled on at least a half-time basis, as determined under the academic requirements of the participating institution;

(ii) that the student is making satisfactory academic progress;

(iii) that the student has demonstrated academic ability;

(iv) that it is an accredited college or university; and

(v) of the date the student is expected to receive his or her graduate nursing degree;

(3) the participating institution's determination that the student has demonstrated outstanding ability to become a nursing faculty member, on the basis of the following criteria:

- (i) grade point average;
- (ii) faculty evaluation of the student's ability to become a nursing faculty member based on the factors used by the participating institution to hire nursing faculty;

(4) the student's grade point average, certified by the participating institution;

(5) the student's cost of attendance for the academic year of application to the program.

(c) Each nomination, including the certifications required by this section, submitted by a participating institution shall be signed by the director of the participating institution's nursing program or designee under penalty of perjury under the laws of the State of California.

Note

Authority cited: Section 69616.6 of the Education Code. Reference: Sections 69616.1, 69616.2, 69616.3 and 69616.7 of the Education Code.

Section 30913. Award Process

(a) The Commission shall select program participants from among the students whose nominations are received by the Commission by the designated deadline date May 31 of each academic year and whose nominations and applications are complete. If the maximum allocation of awards is not exhausted after this selection process is completed, the Commission may continue to accept nominations and select program participants based on the date the nominations are received by the Commission. The Commission may continue to make awards until the maximum allocation is satisfied.

(b) The Commission shall only consider and select from among nominated students who have demonstrated financial need. The Commission shall determine that such financial need exists if the student's cost of attendance at the participating institution for the academic year exceeds the student's Expected Family Contribution (EFC) for that year.

~~(b)~~(c) Nominated students who have demonstrated financial need, as determined in subsection (b) will be scored and awarded points using the following selection criteria:

(1) Nominated student's expected date of the award of the graduate nursing degree – points will be awarded according to the length of time remaining until the nominated student is expected to receive the graduate nursing degree, as follows:

| GRADUATE NURSING DEGREE AWARD         | POINTS |
|---------------------------------------|--------|
| Completion Within Four Years or Less  | 20     |
| Completion Within Three Years or Less | 30     |
| Completion Within Two Years or Less   | 40     |
| Completion Within One Year or Less    | 50     |

(2) Nominated student's grade point average in the graduate nursing program – points will be awarded as follows:

| GRADUATE GPA | POINTS |
|--------------|--------|
|--------------|--------|

|              |    |
|--------------|----|
| 2.99 or Less | 0  |
| 3.00 - 3.24  | 10 |
| 3.25 – 3.49  | 15 |
| 3.50 – 3.74  | 20 |
| 3.75 – 3.99  | 25 |
| 4.00         | 30 |

A nominated student who does not have a grade point average for the graduate nursing program, but has an undergraduate grade point average of at least 3.00 will be awarded 10 points.

(3) In addition to the points based on expected date of degree award and GPA, A a nominated student with an active RN license issued by the California Board of Registered Nursing will be awarded 20 points.

~~(e)~~(d) The Commission will select nominees with the highest point totals until the authorized award allocation is exhausted. In the case of a tie in the total number of points, the Commission will select nominees based on the earliest date of receipt of the nomination by ~~the Commission~~ expected graduation and in the case of a secondary tie, by the highest GPA.

Note

Authority cited: Section 69616.6 of the Education Code. Reference: Sections 69616.5 and 69616.7 of the Education Code.

Section 30914. Loan Assumption Agreements

(a) The Commission shall provide a loan assumption agreement to each nominated student who has been chosen by the Commission to be a program participant. The loan assumption agreement shall be effective when both the program participant and the Commission have signed the agreement.

(b) The loan assumption agreement shall include the following:

(1) The program participant's agreements to

- (i) maintain satisfactory academic progress;
- (ii) be enrolled on at least a half-time basis each academic term;
- (iii) continue to satisfy the requirements in section 30911(b)(1)-(5);
- (iv) teach nursing on a full-time basis at ~~an~~ one or more regionally accredited

California colleges or ~~university~~ universities for at least three consecutive academic years, or five consecutive academic years on a part-time basis at one or more regionally accredited California colleges or universities, immediately after obtaining a graduate nursing degree; and

(v) authorize the accredited college or university he or she is attending, employers, and lenders to provide information requested by the Commission for the purposes of administering the loan assumption agreement.

(2) The Commission shall agree that:

(i) after the program participant has completed one academic year teaching nursing on a full-time basis at ~~an~~ one or more regionally accredited California colleges or ~~university~~ universities, or the equivalent on a part-time basis at one or more regionally accredited California colleges or universities, the Commission shall assume, subject to the requirements of section 30915, up to eight thousand three hundred thirty-three dollars (\$8,333) of the outstanding liability of the participant under one or more of the designated loan programs;

(ii) after the program participant has completed two consecutive academic years of teaching nursing on a full-time basis at ~~an~~ one or more regionally accredited California colleges or ~~university~~ universities, or the equivalent on a part-time basis at one or more regionally accredited California colleges or universities, the Commission shall assume, subject to the terms of section 30915, up to an additional eight thousand three hundred thirty-three dollars (\$8,333) of the outstanding liability of the participant under one or more of the designated loan programs, for a total loan assumption of up to sixteen thousand six hundred sixty-six dollars (\$16,666); and

(iii) after the program participant has completed three consecutive academic years of teaching nursing on a full-time basis at ~~an~~ one or more regionally accredited California colleges or ~~university~~ universities, or the equivalent on a part-time basis at one or more regionally accredited California colleges or universities, the Commission shall assume, subject to the terms of section 30915, up to an additional eight thousand three hundred thirty-three dollars (\$8,333) of the outstanding liability of the participant under one or more of the designated loan programs, for a total loan assumption of up to twenty-five thousand dollars (\$25,000).

(3) The program participant shall agree to the provisions of section 30916.

(c) The term of the loan assumption agreement shall be no more than 10 years from the date signed by the program participant and the Commission.

(d) The loan assumption agreement shall constitute a conditional warrant that may be redeemed with the Commission as specified in section 30915.

Note

Authority cited: Section 69616.6 of the Education Code. Reference: Sections 69616.3, 69616.6, and 69616.7 of the Education Code.

Section 30915. Loan Payments

(a) A program participant may redeem the conditional warrant and the Commission shall make loan payments, as provided in subsection (c), when:

(1) the program participant has provided documentation certifying that the program participant has received a graduate degree in nursing from an accredited, participating institution;

(2) the program participant has provided the following employment information for each applicable year of employment subject to the loan assumption agreement:

(i) program participant's name and social security number;

(ii) names and addresses of the program participant's employers;

(iii) program participant's signature under penalty of perjury under the laws of the State of California.

(3) the program participant has provided the following employment information from his or her employers for each applicable year of employment subject to the loan participation agreement:

(i) statement that the program participant completed an academic year of teaching nursing on a full-time basis, or, if the program participant is employed on a part-time basis, the percentage of employment as related to full-time, or a statement that the program participant did not complete an academic year of teaching nursing and the reason for not completing the academic year;

(ii) statement indicating whether or not the employer anticipates the program participant will be employed by the employer for the next academic year;

(iii) statement that the employer is an regionally accredited California college or university;

(iv) employer representative's printed or typed name, title, and telephone number;

(v) employer representative's signature under penalty of perjury under the laws of the State of California;

(4) the program participant has provided the following information from each lending institution on the loans subject to the loan assumption agreement:

(i) program participant's name and social security number;

(ii) account number for each loan;

(iii) interest rate for each loan;

(iv) disbursement date for each loan;

(v) payoff amount for each loan as of June 30;

(vi) indication for each loan whether the loan is delinquent or in default;

(vii) lending institution/servicer name;

(viii) lending institution/servicer eight-digit servicer identification code;

(ix) address for where payment is to be sent;

(x) a signature of the lending institution official under penalty of perjury under the laws of the State of California

(xi) printed name of the lending institution official;

(xii) e-mail address of the lending institution official;

(xiii) telephone number of the lending institution official;

(5) the Commission has determined that the program participant has satisfied the loan payment requirements of the loan assumption agreement.

(b) A program participant who teaches on less than a full-time basis is not eligible for a loan payment until he or she teaches for the equivalent of a full-time academic year.

(c) Loan payments shall be made by lump-sum payment to the lender, to be applied directly to the principal balance, if not otherwise prohibited by applicable law or by the terms of the loan agreement between the program participant and the lender. Payments shall first be made toward loans with the highest interest rates. The program participant shall continue to make payments as required under the terms of the loans to avoid defaulting on those loans, until notified by the lenders or loan servicers that the loans are paid in full.

Note

Authority cited: Section 69616.6 of the Education Code. Reference: Sections 69616.1, 69616.2, 69616.3, 69616.4 and 69616.7 of the Education Code.

Section 30916. Failure to Comply with the Loan Assumption Agreement

(a) A program participant who fails to meet the requirements of section 30911(b)(1)-(5) throughout the term of the loan assumption agreement, or who fails to complete a minimum of three consecutive academic years of teaching in nursing at ~~an~~ one or more regionally accredited California colleges or university universities on a full-time basis, or five consecutive academic years on a part-time basis, shall repay loan payments previously provided by the program and shall retain responsibility to continue to make any payments required under the terms of any outstanding loans to avoid defaulting on those loans.

(b) If a program participant is unable to complete one of the three consecutive academic years of teaching nursing at ~~an~~ one or more regionally accredited California colleges or university universities on a full-time basis, or any of the five consecutive academic years on a part-time basis, due to serious illness, pregnancy, or other natural causes, the program participant shall receive a deferral for a period of not to exceed one academic year. This deferral shall be in the form of a delay of one academic year in the program participant's obligation to repay the Commission for loan payments previously provided by the program. The program participant, however, shall retain responsibility to continue to make any payments required under the terms of any outstanding loans to avoid defaulting on those loans.

Note

Authority cited: Section 69616.6 of the Education Code. Reference: Sections 69616.4 and 69616.7 of the Education Code.

Section 30917. Development of Projections for Funding Purposes

The Commission shall use program participants' expected dates of graduation and employment dates to project the funding level required to provide loan payments under the program.

Note

Authority cited: Section 69616.6 of the Education Code. Reference: Section 69616.6 of the Education Code.

**State Nursing Assumption Program of Loans for Education (SNAPLE)  
Comments & Responses on Proposed SNAPLE Regulations**

**1. Section 30910 (a) Academic Year.**

Public Comments:

“definition should include language that states “or equivalent academic year as defined by accredited college or university not using semester or quarter system.” *Angie Strawn, Campus Chair for Health Science and Nursing, Univ. of Phoenix*

“The Grant Advisory Committee (GAC) recommends that a minimum time-frame be reference to define academic year and added to this definition, and also that this time frame reference the federal definition included in Title IV regulations (currently 30 weeks.)”

CSAC Action: Amended.

CSAC staff amended the initial definition to authorize the employing regionally accredited college or university to verify and determine the employment. Legal council advised CSAC staff that federal definition is used to define student enrollment, not faculty employment. Therefore, the federal definition does not apply and is not applicable to the employment terms.

**2. Section 30910 (b) Regional Accrediting Body.**

Public Comments:

“There are national accrediting bodies that are approved by the U. S. Dept. of Education such as: ACICS, ABHES, ACCSCT, ACDETC, NYSEDHBNP. These national accrediting bodies are recognized by the AACN (American Association of Colleges of Nursing) and the NLANAC (National League for Nursing Accrediting Commission).” *Dianne Moore, Dean of Nursing, West Coast University*

“GAC recommends that abbreviations be eliminated as abbreviations are not referenced for the other accrediting bodies listed. In the alternative, if an abbreviation is used for one entity, the abbreviations should be used for all accrediting bodies referenced.”

CSAC Action: Amended.

CSAC staff considered and incorporated both recommendations in the definition.

**3. Section 30910 (e) Demonstrated financial need as determined by the commission pursuant to Article 1.5 (commencing with Section 69503).**

Public Comments:

“An RN with a bachelor’s degree that is working would have too much income to qualify for these funds. I believe that a different definition of need should be utilized for determining eligibility. You may very well end up with funds available and no one eligible to receive them.” *Holly Stromberg, Director of Nursing Programs, Allan Hancock College*

“Majority of practicing registered nurses make good money and adding this to the program will eliminate a huge number of registered nurses who may be interested in pursuing a career in nursing education.” *Pauline M. Canas, Univ. of Phoenix, BSN student.*

“The income level to ‘demonstration of financial need’ would exclude most/if not all Registered Nurses from this program....The practical experience required to teach would exclude the vast majority of nurses from participation in this program. The wages of an RN would further exclude nurses from financial need.” *Kim Tomasi, RN*

“Demonstrated financial need as determined by the Cal Grant formula may virtually eliminate all RN applicants as working RNs make too much money. Believe this should be based on merit or any student who has a student loan regardless should be eligible. So demonstrated financial need then be based on educational indebtedness.” *Angie Strawn, Campus Chair for Health Science and Nursing, University of Phoenix.*

“The average salary for a working registered nurse is above the standard income to be considered for a Cal Grant. Using the Cal Grant Standard will eliminate most registered nurses working in a clinical setting from obtaining the financial aid. I propose that financial need not be required by the applicant to be accepted by the State Nursing Assumption Program of Loans for Education.” *Melissa Tilford, RN*

“Most registered nurses (RN’s) working in their field with enough experience to teach entry level nursing students will not show a “financial need.” *Katie Nilsson, RN*

CSAC Action: No Change.

Education Code Section 69616.1 (c) (1) legislates that the Commission must determine need in accordance with this Article of the Education Code. Therefore, the Commission is limited to this method of determining eligibility.

**4. Section 30910 (j) Half-time basis.**

Public Comments:

GAC recommends that the definitions be consistent and inclusive, and therefore, recommends adding “half-time enrollment” to the definitions.” Half-time

enrollment, as determined under the academic requirements of the participating institution.

CSAC Action: Added.

CSAC staff added this section to define half-time enrollment.

**5. Section 30910 - Add definitions:**

Public Comment:

Nurse – for the purposes of this program refers to Registered Nurse (RN) only.  
Nursing program – for the purposes of the program refers to pre-RN licensure program only. *Angie Strawn, Campus Chair for Health Science and Nursing, Univ. of Phoenix*

CSAC Action: No Change.

No change to the “Nurse” definition. Since the legislation did not limit this program to RNs only, nor to RN programs, the Commission staff did not limit it in its definition.

**6. Section 30911 (a) (4) Date of Birth**

Public Comments:

“Remove **date of birth.**” *Angie Strawn, Univ. of Phoenix*

CSAC Action: No Change.

The date of birth is used as an identifier.

**7. Section 30911 (a) (6) Add California Board of Registered Nursing**

Public Comment:

“Add California-License number issued by the California Board of Registered Nursing”. *Angie Strawn, Campus Chair for Health Science and Nursing, Univ. of Phoenix*

CSAC Action: No Change.

In the latest version of the proposed regulations for SNAPLE, the Commission staff inserted California so that it reads California Registered Nurse License number, if available.

8. **Section 30911 (a) (7) Copy of Student Aid Report**

Public Comment:

The California Department of Finance identified an omission of how the CSAC would determine demonstrated financial need.

CSAC Action: Added.

CSAC staff determined that a copy of the Student Aid Report would be used as verification to calculate the Estimated Family Contribution and added this section to the proposed regulations.

9. **Section 30911 (b) (5) Delinquent**

Public Comment:

“Strike *delinquent or*. There is no industry standard on what delinquency means but default is very clear amongst all lenders.” Coordinated response from UCSF

CSAC Response: No Change.

Education Code Section 69616.1. (a) (5) states that the participant shall not owe a refund on any state or federal educational grant or have delinquent or defaulted student loans.

10. **Section 30911 (c) (2) (ii) Agreement to Teach**

Public Comment:

“Agreement to teach – What if employment in teaching cannot be found in local area? What is the radius of distance from home is reasonable for commute to teach? If intent to find employment to teach is evidenced at a college or university, should applicant be penalized by being ruled ineligible? How can RN afford to leave service arena to be faculty and take a 40% pay cut?”

CSAC Action: No Change.

The intent of the Legislature is that the SNAPLE be designed to encourage persons to complete their graduate educations and serve as nursing faculty at an accredited California college or university. To fulfill the intent, a participant must teach in a California college or university to obtain the assumption benefits of the program.

11. **Section 30911 (c) (3) Add loans**

Public Comment:

“Add these loans to list: Federal Perkins loans and the HRSA Nurse Faculty Loan Program.” UCSF

“The GAC strongly recommends that the Federal Perkins Loan, awarded to the neediest of students, be included in the loans designated as eligible for assumption.”

CSAC Action: Added.

Education Code Section 69616.1. (c) (5) allows the Commission to approve any loan program. The intent of this regulation is not to eliminate Perkins Loans or the HRSA Nurse Faculty Loan Program. The Commission staff added language to consider any loan programs, on a case by case basis.

12. **Section 30911 (d) Verification**

Public Comment:

Recommendation that on the application the Commission state “By signing this application you agree, if asked, to provide information that will **verify** the accuracy of your completed form.” *Mary Gill, Assembly Higher Education Committee*

CSAC Action: Added.

CSAC staff added language that requires verification of accuracy of the information provided and consequences of providing inaccurate or incomplete information.

13. **Section 30912 Cross Reference to Definitions & Award Based on Merit**

Public Comment:

(1) “Suggest **cross reference** to definitions of Section 30910.”

(2) “Support award based on **merit**, not financial need.” *Angie Strawn, Univ. of Phoenix*

CSAC Action: No Changes.

(1) The Commission staff does not feel cross reference is necessary for clarity.

(2) Awards are based on merit, as well as need, both mandated by legislation

14. **Section 30912 (b) (3) (ii) “...based on the factors used by the participating institution to hire nursing faculty;”**

Public Comment:

“...based on the factors used by institutions that hire nursing faculty. The GAC recommends these suggested changes, as indicated, to provide clarification and consistency to the process.”

CSAC Action: No Changes.

Rather than burden each institution with researching the hiring standards of other institutions, the Commission staff asks the nominating school to evaluate the student, not as though the student already possessed all of the factors they use for hiring educators at their institution, but to determine if they would expect that the student would acquire these factors.

15. **Section 30913 (a) Add Opening Date & Suggest Language**

Public Comment:

(1) “Need to **add opening date** for the start of receiving applications.”

(2) “**Suggest language** that allows MSN graduate the ability to apply within and up to 2 years after completion of MSN.” *Angie Strawn, Univ. of Phoenix*

CSAC Action: No Changes.

(1) Opening date in the regulations is not necessary.

(2) Allowing someone who **already holds a graduate degree** to apply does not meet the **intent** of the legislation in Education Code 69616 (c) which states that it is “designed to encourage persons to complete their graduate educations.....” Also, Education Code Section 69616.1 (c) (2) states “the applicant shall have completed a baccalaureate degree program or be enrolled in an academic program leading to a baccalaureate level or a graduate level degree. This statute eliminates consideration of a student who already holds a graduate degree.

16. **Section 30913 (b) Education Code**

Public Comment:

“...the selection criteria as required in the Ed Code, including: ...The GAC recommends referencing the Ed Code and also listing all requirements so that a person does not have to go to the Ed Code for clarification.”

CSAC Action: No Changes.

The Commission staff does not feel that this is necessary because the Education Code is referenced as “authority cited” at the end of each Section of the proposed regulations.

**17. Section 30913 (b) (2) GPA Point System**

Public Comment:

“GPA point system should be modified to increase each level by 5 points and make >3.75 worth the full 30.” *Audrey Berman, Dean of Nursing, Samuel Merritt College*

CSAC Action: No Changes.

The Commission staff considered different alternatives to accomplish the intent which is to separate the highest 100 SNAPLE applicants. After taking into consideration input from various stakeholders and all segments, this methodology was chosen to accomplish the intent.

**18. Section 30913 (3) 20 Points Awarded**

Public Comments:

“Are the 20 points awarded to students with an active RN license received in addition to the points awarded in (1) and (2)? I think they are...I'd just like to know. This is not a suggestion for a change in the proposed regulations just an inquiry. Thanks”. *Mary Gill, Assembly Higher Education Committee*

CSAC Action: No Changes.

Yes, the 20 points awarded to students with an active RN license are in addition to the points awarded in 30913 (1) & (2).

**19. Section 30913 (c) In the Case of a Tie**

Public Comments:

“**In the case of a tie** in the total number of points, the Commission will select the nominee(s) with the highest outstanding loan indebtedness eligible for assumption under the rules of this program.” *Mary Gill, Assembly Higher Education Committee*

“Tie breaker – system as stated was not well received. Section 30912 (d) states that applications are submitted by participating institution. Therefore, nominations could be received in a batch on the same day. How would order received then be determined? How would this be tracked? Does this rule out

electronic submission? Do you want to rule out electronic submission? Do you want hard copy only? ” *Angie Strawn, Univ. of Phoenix*

“The GAC, in keeping with the language of the statute, namely that students should be selected based on academic merit, outstanding ability, or human resources needs, recommends that a tie be resolved by first ranking the students according closest to graduation and then, in the event of secondary tie, according to GPA.”

CSAC Action: Amended.

CSAC staff amended the regulation based on the earliest date of expected graduation and secondary tie by the highest Grade Point Average.

20. **Section 30914 (b) (1) (iv) Adding Language**

Public Comment:

(1) “Consider **adding language** that a faculty member may work on a full-time basis at one or more accredited California colleges or universities so it will be in accordance with 30911 (c) (2) (ii).” *UCSF*

CSAC Action: Added.

Public Comments:

(2) Immediately: “What does immediately mean? How many months after graduation do you expect the new graduate to start working? I also would like to get clarification as to the “part-time basis” – as to how many days is considered part-time? The reason I brought the topic of part-time is to make the program more attractive to prospective participants by making the criteria more flexible.” *Pauline M. Canas, Univ of Phoenix BSN student*

“My question is, will the applicant be assigned a position which is open, or will the applicant need to find an available position at an accredited nursing school? And if the latter is the case, will there be a grace period for the candidate to find a teaching position?” *Katie Nilsson, RN*

“Immediately –some schools will require post-MSN graduation work experience before being considered eligible to teach in RN program.” *Angie Strawn, Univ. of Phoenix*

CSAC Action: No Changes.

Immediately: The Commission staff left this word undefined because it then gives the Commission leeway to address situations on a case by case basis.

Part-time: This is to be defined by the employing institution based on their criteria for full-time employment.

Public Comment:

“Need **definition of nursing** in Section 30910 to make this clear.” *Angie Strawn, Univ. of Phoenix.*

CSAC Action: No Changes.

Per response to 30910 (b), the legislature did not create authority in statute to limit the definition, therefore, the Commission staff did not limit by definition in the regulations.

21. **Section 30915 (c) Principal Balance**

Public Comment:

“Strike **principal**, as it is in conflict with federal banking code Regulation Z which rules that interest is paid off first.” *UCSF*

CSAC Action: Amended.

CSAC staff amended the regulations in order that any other laws or agreements made between the participant and the lender are not superseded.

22. **Section 30916 (a) Repay the Loan**

Public Comment:

“In case of non-compliance where the participant has to **repay** the loan, does this include penalty and interest and how much are they? These are mainly concerns and in no way refute the validity of the need for a SNAPLE program but the barriers that stop nurses from pursuing advance careers should be taken into consideration such as the importance of flexibility. This is one of the word that constantly reminded me throughout my career which I learned right from the beginning of my nursing education. What concerns me the most is what I commonly heard from my colleagues about the reasons for not going to graduate school? In light of the nursing educator shortage, I very much would like to see the loan forgiveness program to become a reality”. *Pauline M. Canas, Univ. of Phoenix BSN student*

CSAC Action: No Changes.

No provision for repayment of penalties and interest was included in the legislation. Therefore, they were not included in the regulations.

The comments regarding barriers and reasons for not going to graduate school did not cite the barriers or reasons and, therefore, the Commission staff could not respond to this comment.

23. **Section 30916 (b) Natural Causes**

Public Comment:

“The GAC recommends that other natural causes include and reference natural disasters such as earthquakes, hurricanes.”

CSAC Action: No Changes.

In the context of the legislative language, the Commission staff interprets this as meaning any natural physical cause because it is preceded by examples that are related to physical conditions of the participant.

24. **Adequate Faculty Positions and Retention**

Public Comment:

“I find it valuable to nursing education and progress of professional nursing. The reasons for the program are well stated. The definitions provided are understandable and the refunds and requirements for refund are clearly defined. I have a question concerning faculty positions upon completion of the program. Are there adequate faculty positions available to persons incumbent upon fulfilling their obligations for loan repayment? I believe this program will assist in obtaining faculty for nursing education. This program may not entice nurses to remain in education beyond their payback commitment due to the salaries paid to educators versus the salaries available to graduate level nurses in the open market. However, I do think it is a great start at obtaining faculty, and certainly has potential for retention once nurses can personally reap the rewards as a successful nurse educator”. *Elaine Dunlop, Director, HCO/PI/JCAHO at Doctors Hospital of Manteca*

CSAC Action: No Action.

The Legislature, educational and stakeholders community foresees a great need for faculty because a large percentage of the current faculty is at or very near retirement age. Regarding retention, we hope that SNAPLE will be a means to entice nurses into the field of education and that they will remain in the field after their SNAPLE benefits have been exhausted.

**Information Item**

***Grants and Programs Committee***

Update on the Development of a  
New Cal Grant Institutional Participation Agreement

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The Institutional Participation Agreement (IPA) is undergoing its first comprehensive review since the implementation of Senate Bill 1644 which became effective with the 2001-2002 school year.

Over the course of the past few months, CSAC staff have been reviewing and revising the current IPA which will expire June 30, 2007. The IPA is the managing document in place between institutions and the Commission. It specifies the requirements for institutional participation in the Cal Grant programs.

Unlike the previous IPA review process undertaken in late 2003 through early 2004, CSAC staff wishes to ensure the most comprehensive input from stakeholders, control agencies and others in the development of a new IPA. As such, an internal planning timeline for the review and execution of a new IPA was developed by CSAC staff to guide work on this issue and ensure multiple points of input from stakeholders, control agencies and others prior to final Commission action on a new IPA. This internal planning timeline was provided to the Grant Advisory Committee (GAC) for input at their March 9, 2006 workgroup meetings and at the GAC meeting of March 10, 2006. Modifications were made to the internal planning timeline as suggested by GAC which included earlier solicitation of feedback by CSAC of schools and sharing this feedback with GAC earlier in the process.

As planned, on May 23, 2006, a request was made to participating institutions for initial comments and suggestions on potential revisions to the IPA. To date, responses have been received from 43 schools representing the major educational segments. These responses are summarized in the enclosed documents.

In late May, CSAC Executive Director Diana Fuentes-Michel sent a letter to the Commission reporting on efforts up to that date on revision of the IPA.

On June 20, 2006, an informational e-mail was sent by CSAC staff to GAC reminding them of the review process and potential revision of the IPA prior to the expiration of the current IPAs and the execution of

new IPAs. On June 30, 2006, all feedback received by CSAC staff from schools was sent to GAC via mail.

Input on the development of a new IPA was solicited from the Advisory and Enhancements workgroup meeting at their July 20, 2006 meeting.

To further ensure that participating institutions are given an opportunity to provide their feedback on suggested revisions to the IPA, several schools are also being scheduled for visits by CSAC staff to discuss the IPA and other related program issues.

The enclosed working IPA draft was presented at the GAC workgroup meeting of August 3<sup>rd</sup> and the GAC meeting of August 4<sup>th</sup>, 2006, with the understanding that it was a working document and would likely change substantially throughout the continuing review by CSAC staff.

This item is being presented to the Commission with enclosures, to update the Commission on CSAC staff progress and solicit any comments and feedback as CSAC staff continues its work.

For your reference, enclosed are the following documents:

- California Student Aid Commission Institutional Participation Agreement (IPA) internal timeline.
- A copy of Commission's Executive Director's letter dated May 23, 2006 soliciting input from participating schools;
- A copy of the current IPA;
- A list of those institutions that provided input after the May 23 solicitation;
- A summary of responses and institutional comments received through the beginning of July 2006;
- A copy of the email message to the Grant Advisory Committee dated June 20, 2006;
- A working draft of the new IPA.

**Recommended Action:** For Information Only. No action required.

**Responsible Staff:** Max Espinoza, Chief  
Program Administration & Services Division

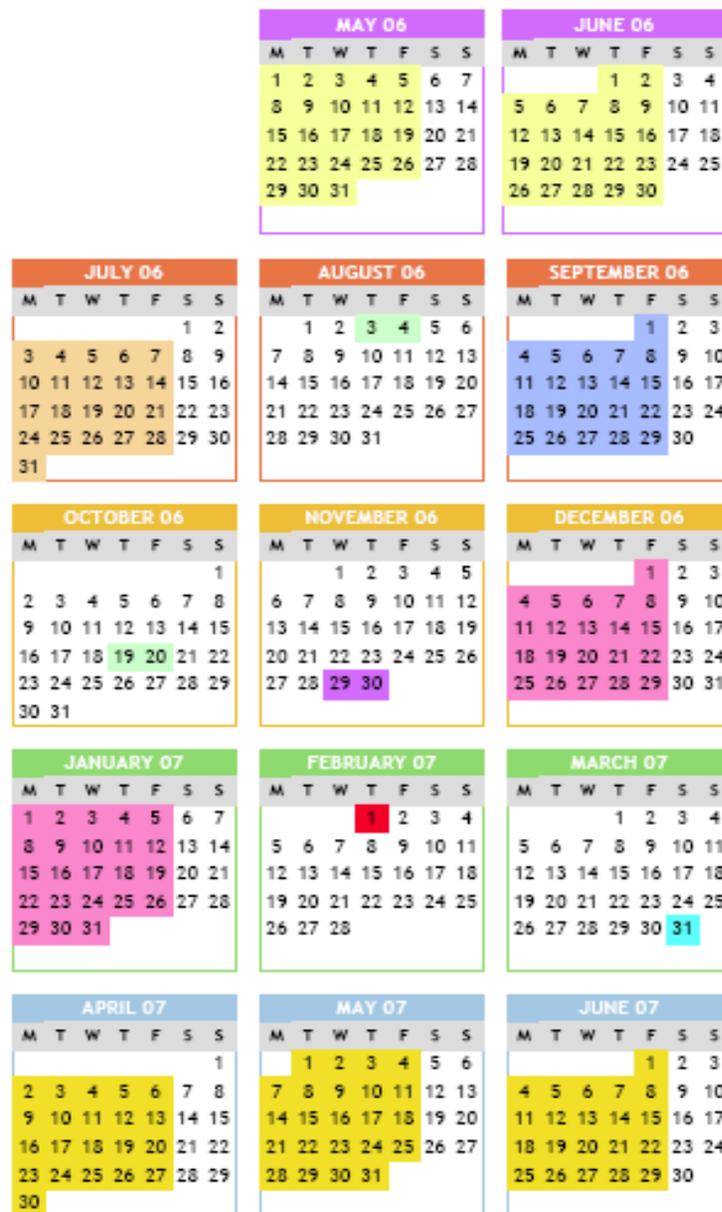
Bryan Dickason, Acting Manager  
School Support Services Branch

Cora Manuel, Senior Training Analyst  
School Support Services Branch

# CALIFORNIA STUDENT AID COMMISSION INSTITUTIONAL PARTICIPATION AGREEMENT (IPA) INTERNAL TIMELINE

2006-2007 CALENDAR

1. **May/June**
  - Begin discussion with internal IPA Work Group regarding revisions to IPA
  - Send communication to schools to request input on updating IPA
  - Present input received from schools and site visits to GAC
  - Commission to review timeline
2. **July**
  - Continue discussion with internal IPA Work Group on IPA revisions
  - Prepare first draft of IPA
3. **August**
  - Present first draft to GAC, schools, Governor's Office, Office of Secretary of Education, Department of Finance, and Legislative Analyst Office for review
  - Begin school site visits by Executive Director
4. **September**
  - Make any necessary revisions to draft
  - Provide Commission with IPA update at regularly scheduled meeting
  - Continue school site visits by Executive Director
5. **October**
  - Present final draft to GAC, schools, Governor's Office, Office of Secretary of Education, Department of Finance, and Legislative Analyst Office for review
  - Make any revisions to draft
6. **November 29/30**
  - Present proposed IPA to Commissioners at their meeting
7. **December/January**
  - Update IPA databases
  - Update IPA survey material, cover letter, checklist, etc.
8. **February 1**
  - Send *Operations Memo* to schools regarding IPA renewal process and requirements
9. **March 31**
  - Deadline for submission of IPAs material from Schools
  - Send *Special Alert* reminding schools of IPA deadline.
10. **April/May/June**
  - Review IPA material received from schools
  - Follow-up with schools on missing information
  - Submit IPA material to branch manager and division chief for review and approval



**Note: This timeline is subject to change.**

# CALIFORNIA STUDENT AID COMMISSION

Office of the Executive Director

May 23, 2006



CEO/President/Chancellor  
Name of School  
Street Address  
City, Zip Code

Dear:

The California Student Aid Commission (Commission) is in the process of reviewing and potentially revising the current Institutional Participation Agreement (Agreement) in preparation for their expiration and the execution of new Agreements in June 2007. As provided in state law, the Agreement is the managing document in place between schools and the Commission which specifies the requirements for institutional participation in the Cal Grant Programs.

In order to develop an agreement that explicitly addresses the various areas of responsibility for schools; by virtue of this letter, we are asking school officials to review the current Agreement and provide feedback on suggested changes and identify specific areas that you may feel require further clarification in the Agreement. You and your staff's understanding of this document is critical because a school must have a signed Agreement in place to participate in the Cal Grant program and commits to following the Agreement's provisions by signing the Agreement.

The Agreement specifies requirements for schools such as state regulatory guidelines as specified in the California Education Code (CEC) 69432.7(k):

“...Prior to disbursing any Cal Grant funds, a qualifying institution shall be obligated, **under the terms of its institutional participation agreement with the commission**, to resolve any conflicts that may exist in the data the institution possesses relating to that individual.”

And CEC 69432.8:

“...Each institution shall disburse the funds **in accordance with the provisions set forth in the institutional agreement between the commission and the institution.**”

The Agreement is undergoing its first comprehensive review since the implementation of Senate Bill 1644 which became effective with the 2001-2002 school year. Therefore, we are asking you to confer with departments in your school that interact with the Commission including your fiscal and financial aid offices, to identify any areas in the Agreement where we can clarify school responsibilities. You may also want to have your legal counsel review the document.

Any comments and recommendations will be shared with the Commission's Grant Advisory Committee (GAC). The GAC consists of members for the various school system and educational segments who are tasked to review and provide recommendations to the Commission on major proposed or planned grant program or policy changes, particularly those relating to the administration of the Cal Grant program. Once the Agreement is updated, it will be presented to the Commission for their review and approval.

A copy of the current Agreement is enclosed for you and your staff's review. Please submit your comments and recommendations in writing by June 15, 2006 by email to Corazon Manuel at [CManuel@csac.ca.gov](mailto:CManuel@csac.ca.gov), by fax at (916) 526-8002, or by mail at Program Administration & Services Division, P.O. Box 419028, Rancho Cordova, CA 95741-9028.

If you have any questions about this letter or the process for renewing the Agreement, please feel free to contact Ms. Manuel at (916) 526-7960. We look forward to the opportunity to review and consider your comments and/or recommendations. Your input is valuable in the review process. Thank you for your continued partnership in serving students.

Sincerely,



Diana Fuentes-Michel  
Executive Director

Enclosure: IPA

cc: Financial Aid Director  
Fiscal Officer

**Institutions who responded to the  
IPA review letter dated May 23, 2006**

American River College  
Cañada College<sup>°</sup>  
Cerritos College  
Citrus College  
College of San Mateo<sup>°</sup>  
College of the Sequoia  
Contra Costa College\*  
Cuyamaca College  
Diablo Valley College  
East Los Angeles College  
El Camino College (2)  
Fresno City College  
Grossmont College  
Hartnell College  
Laney College  
Los Angeles City College  
Los Angeles Harbor College  
Los Medanos College\*  
Mt. San Antonio College  
Palomar College  
Pasadena City College  
Reedley College  
Saddleback College  
San Bernardino Valley College (2)  
San Diego Mesa College  
Santa Barbara City College  
Skyline College<sup>°</sup>

California Maritime Academy  
California State Polytechnic University,  
Pomona  
California State University, Fresno  
California State University, Fullerton  
California State University, Los Angeles  
California State University, Northridge  
California State University, Sacramento  
California State University, Santa Barbara  
San Diego State University

University of California, Davis  
University of California, Irvine  
University of California, Los Angeles  
University of California, Santa Barbara

Samuel Merritt College  
Thomas Aquinas College  
University of La Verne

ITT Technical Institute, National  
Headquarters

\* Joint submission

<sup>°</sup> Joint submission

**43 responses total**

**CALIFORNIA STUDENT AID COMMISSION**  
**CAL GRANT PROGRAMS**

Institutional Participation Agreement  
For New Postsecondary Institutions

Name of Institution: \_\_\_\_\_

Address of Institution: \_\_\_\_\_

USED School Identification Number: \_\_\_\_\_

Return to:  
California Student Aid Commission  
Program Administration & Services Division  
ATTN: School Support Services  
PO Box 419028  
Rancho Cordova, CA 95741-9028

Execution of this Agreement is mandatory for participation in the California Student Aid Commission's Cal Grant Programs.

## INTRODUCTION

- A. The minimum requirements for participation in the Cal Grant Programs for postsecondary institutions in California are established in California Education Code (CEC) 69432.7(l) and the California Code of Regulations (CCR) Title 5, Section 30009.
- (1) For non-public postsecondary institutions to participate in the Cal Grant Programs, an institution must be approved by the United States Department of Education (USED) to participate in the Federal Pell Grant program and two of the three federal campus-based student aid programs. The campus-based programs include Federal Work-Study, Federal Perkins Loan and the Federal Supplemental Educational Opportunity Grant (SEOG) programs [CEC 69432.7(l)(1)]. Specifically, participation in the campus-based programs means the postsecondary institution has been allocated funds and is spending those funds at each campus/site/branch ("campus") that Cal Grant recipients attend. These program requirements are set forth in CCR 30009(b).
  - (2) For non-public postsecondary institutions, California law allows an exception to the requirement of participation in the federal student aid programs. Cal Grant awards may be utilized at any nonprofit institution headquartered and operating in California that: (a) certifies to the Commission that ten (10) percent of the institution's operating budget, as demonstrated in an audited financial statement, is expended for the purposes of institutionally funded student financial aid in the form of grants, (b) demonstrates to the Commission that it has the administrative capability to administer the funds, and (c) is accredited by the Western Association of Schools and Colleges [CEC 69432.7(l)(2) and CCR 30009 (c)].
  - (3) A California public postsecondary educational institution or program may participate in the Cal Grant Programs [CEC 69432.7(l)(3)].
- B. Commencing with the 2001-02 academic year and each academic year thereafter, Cal Grant T awards shall be used only for tuition and student fees for a maximum of one academic year of full-time attendance in a program of professional preparation that has been approved by the California Commission on Teacher Credentialing [CEC 69440(a)].
- C. An otherwise qualifying institution shall be deemed disqualified if it no longer possesses all of the requirements for a qualifying institution [CCR 30009(d)].
- D. If a shift in control or change of ownership of an institution occurs, the Agreement expires and the institution's Cal Grant participation ends on the date of the shift in control or change of ownership. If the new controlling party or new owner wishes to continue Cal Grant participation, a new Agreement must be completed.
- E. This Agreement covers only campus(es) indicated on this Agreement. A new Agreement is required for any additional campus.
- F. As used in this Agreement, "academic year" and "award year" mean July 1 to June 30 as defined in CEC 69432.7.

## **ARTICLE I**

### **Participation**

The Commission and \_\_\_\_\_ hereafter referred to as the "Institution" agree to the terms contained in this Agreement.

This Agreement governs the Institution's eligibility to participate in and ability to receive funds for all of the Cal Grant Programs administered by the Commission.

## **ARTICLE II**

### **General Provisions**

- A. The Institution agrees to use Cal Grant funds provided to it solely for the purposes specified, and in accordance with the provisions set forth in the respective program statutes, federal and state regulations and procedures, the California Grant Programs Manual including manual updates, policy bulletins, operations memos, and special alerts.
- B. The Institution acknowledges that no Cal Grant funds have been authorized for a fiscal year until such time as that fiscal year's budget has been adopted by the Legislature and signed by the Governor. It is further understood that if such funds are not approved for a fiscal year, the State and the Commission shall be relieved of further payments and this Agreement will be canceled; if proposed funding amounts are reduced, this Agreement will be limited to the approved amounts only.
- C. The Institution agrees to maintain standards of administrative capability and financial stability in accordance with state and federal law and regulations as applicable. The Institution shall maintain documentation that allows the Commission to determine its adherence to fiscal responsibility and standards.
- D. The Institution agrees to establish written policies and procedures that provide security and confidentiality of all recipients' personal identification information, payments, financial history and other related confidential information and documents as required under state and federal law and regulations.
- E. When the Institution participates through the Commission's electronic system, the Institution agrees to comply with the Information Security and Confidentiality Agreement.
- F. The Institution agrees to maintain a current designation of individuals who are responsible for coordinating and communicating with the Commission on matters related to the provisions of this Agreement.
- G. The Institution shall maintain written policies and procedures governing the administration and processing of Cal Grant funds under this Agreement.
- H. The Institution agrees to retain comprehensive and accurate program and fiscal records that demonstrate institutional and student eligibility that fully documents the accuracy of the grant payments reported and the right of the Institution to receive or retain payments made by the Commission for a period of three (3) years following the last day of the period for which the grant was intended.

- I. The Institution agrees to make available at the time of program compliance review, or at the request of the Commission, any records and personnel related to the administration of the Commission's Cal Grant Programs.
- J. The Institution agrees that it is subject to and must comply with all current and applicable state and federal law and regulations in its enforcement of the terms of this Agreement. The Institution agrees that noncompliance with any of these provisions may result in the termination of this Agreement and the privileges that are afforded under it. The Commission shall provide the Institution written notice of its intent to terminate the Agreement ten (10) days prior to such action.

### **ARTICLE III**

#### **Cal Grant Account Maintenance – Institutional Responsibilities**

- A. The Institution agrees to maintain all Commission Cal Grant funds in a designated account identified as the property of the State either by a ledger account or a bank account.
  - 1) The Institution may deposit funds from various sources including Cal Grant funds into one bank account, but must identify the Cal Grant funds by using subsidiary ledgers. All activity (deposits and expenditures) of Cal Grant funds must be supported by appropriate accounting records in accordance with generally accepted accounting principles and practices.
  - 2) The Institution may establish a separate bank account designated for Cal Grant funds.
  - 3) Interest earned on Cal Grant funds in these accounts must be returned to the Commission on behalf of the State.
- B. Should the Institution close, lose federal financial aid eligibility, or no longer meet the statutory definition of an eligible institution, or upon termination of this Agreement, the Institution agrees to return any undisbursed funds or pay any outstanding invoices within ten (10) days.
- C. The Institution agrees to maintain a current designation of individuals who are responsible for Cal Grant account maintenance and adherence to accepted accounting practices and principles. The Institution also agrees to maintain a separate designation of individuals who authorize and disburse Cal Grant funds so that no one individual is responsible for both functions.

### **ARTICLE IV**

#### **Cal Grant Disbursement - Institutional Responsibilities**

The Institution understands and agrees to carry out the following responsibilities at the time Cal Grant funds are transferred to the recipient or to the recipient's account. These must include but are not limited to:

A. Verification of Eligibility: Verify the recipient meets all eligibility and program requirements and resolve any conflicting information before disbursing Cal Grant funds.

B. Confirmation of Eligibility: Confirm and document that students listed on a Commission roster or other award notification meet basic eligibility requirements including California residency, financial need and appropriate program eligibility.

C. Disbursement of Cal Grant Funds:

- 1) Establish a written disbursement policy consistent with the Commission's policies and guidelines.
- 2) Establish a written disbursement schedule consistent with the start dates of the Institution's enrollment periods and in accordance with the applicable requirements specified for each educational program.
- 3) Determine course attendance according to the recipient's attendance status at the time Cal Grant funds are paid. Disburse "Access" and "Books and Supplies" payments within ten (10) days of verification of enrollment status.
- 4) Disburse no more than that which the recipient is eligible to receive per academic term. The Institution must use its institutional refund policy to determine the portion to be returned to the Commission on behalf of the State. Cal Grant funds may not be used for reimbursement to the federal government.
- 5) Regularly submit payment transactions through WebGrants, data files, or the Grant Roster.
- 6) Make all disbursements no later than September 30 following the end of the award year (e.g., September 30, 2003, for award year 2002-03).
- 7) Establish and publish a policy that informs students of their options regarding receipt of Cal Grant funds and their subsequent ability to rescind their existing instructions at any time.

D. Accounting/Reconciliation:

- 1) Maintain an accounting system which conforms to generally accepted accounting principles and practices that includes such items as, but is not limited to, cash receipts and disbursement journals, bank account reconciliation, evidence of receipt of funds by recipients or credit of funds to recipients, and all other accounting records necessary to account for all transactions.
- 2) Reconcile all Cal Grant funds received and disbursed by the Institution no later than October 15 following the award year (e.g., October 15, 2003, for the 2002-03 award year). The Institution must report adjusted payment transactions for payment transactions previously reported in error that result in a payment exceeding the recipient's eligibility.

Upon final reconciliation by the Institution, the Institution shall repay any Cal Grant funds in excess of the reconciled amount to the Commission. Upon final reconciliation by the Commission, the Institution shall be invoiced for excess funds.

The invoice shall be due and payable to the Commission within 30 days of receipt of the invoice. The Institution agrees to resolve any reconciliation discrepancies with the Commission.

- 3) Submit annual College Cost Estimates to the Commission by the deadline specified.
  - 4) Certify the accuracy of all payment transactions submitted to the Commission. Certification of electronic submissions (WebGrants and data files) must be provided through the Information Security and Confidentiality Agreement. Signatures from the financial aid and accounting offices demonstrate certification for paper Grant Rosters.
  - 5) Agree to reconcile Cal Grant program expenditures for each award year on a student-by-student basis. The Institution certifies that it has paid each student an amount that reconciles to the Commission's records for both Cal Grant funds expended and student attendance. An institution may not apply excess Cal Grant funds to any other student's account or to any prior year accounts.
  - 6) Recalculate, if a recipient withdraws, drops out or is expelled for a term for which a payment has been made, based upon the Institution's repayment policy, whether an overpayment has been made to the recipient and whether the recipient owes a repayment to the Commission.
  - 7) Agree to pay any institutional liability that is determined as a result of a program compliance or an audit review within thirty (30) days of the determination or in the time specified in the program review report.
  - 8) Liability to the Commission for the Institution's actions or omissions under this Agreement shall not exceed the actual amount of Cal Grant funds that the Institution is not entitled to retain.
  - 9) Failure by the Institution to take action on Cal Grant funds that the Institution is ineligible to retain may constitute noncompliance and may result in the termination of this Agreement thereby terminating the Institution's participation in the Cal Grant Programs.
- E. The Institution agrees to maintain a current designation of individuals who are responsible for Cal Grant disbursement and adherence to accepted accounting practices and principles. The Institution also agrees to maintain a separate designation of individuals who authorize and disburse Cal Grant funds so that no one individual is responsible for both functions.

## **ARTICLE V**

### **Cal Grant Program Guidelines - Commission's Responsibilities**

- A. Determine new applicants' initial eligibility for Commission-administered grant programs by evaluating their financial information and program specific data as provided on the Free Application for Federal Student Aid (FAFSA), the verified Grade Point Average, and any other selection process.

- B. Provide the Institution with guidelines, information, and ongoing assistance with respect to the Institution's administration of the Cal Grant Programs.
- C. Identify recipients who are in default on any educational loans as indicated by the FAFSA information.
- D. Generate and provide electronic data files and Grant Rosters that include names, Social Security Numbers and payment amounts of eligible recipients to the Institution.
- E. Provide the Institution with instructions for completing payment transactions.
- F. Notify the Institution of accepted and rejected payment transactions.
- G. Reconcile accepted payment transactions.
- H. Provide the State Controller's Office with the documentation needed to issue Electronic Funds Transfer (EFT) or mail warrants for payment to the Institution.
- I. Provide the Institution with regularly updated electronic data and Grant Rosters identifying reconciled payments.
- J. Invoice the Institution for funds due the Commission as a result of the final reconciliation process and notify the Institution if funds will be withheld pending the return of delinquent repayments.
- K. Retain records relative to Commission grants and grant payments for a period of three (3) years following the last day of the award year.
- L. Review and audit the Institution's management of Cal Grant funds for compliance with state and federal law and regulations and Commission policies.

## **ARTICLE VI**

### **Agreement Duration**

This Agreement is effective when it is executed by the Commission's representative. This is generally later than its execution by the Institution's representatives. It supersedes any prior Agreements executed between the Commission and the Institution, and automatically terminates upon the occurrence of any of the conditions below:

- A. The Institution undergoes a change which results in change of ownership or control; or
- B. The Institution closes or ceases operation; or
- C. The Institution or site no longer possesses all of the requirements for a qualifying institution; or
- D. The Commission's representative requests termination of this Agreement in writing; or
- E. The Institution's Chief Executive Officer requests termination of this Agreement in writing; or
- F. June 30, 2007.

**ARTICLE VII**

**Certification**

As Chief Executive Officer of this Institution, I agree that this Institution and its “campus(es)” (if any) will comply with all state and federal statutes and regulations, rules, and guidelines applicable under this Agreement.

Name and Address of Main Campus: USED School  
Identification Number

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Name(s), Address(es), and Phone Number(s) of Branch USED School  
Identification Number  
Campus(es) included in this Agreement:

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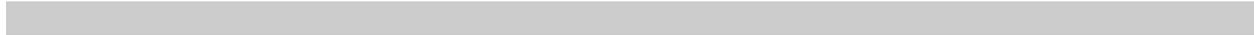
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Please indicate which of the following section(s) establish your Institution’s eligibility to participate in the Cal Grant Programs. Many institutions’ eligibility is established through Section 69432.7(l)(1) or (3) or 69440(a) of the CEC. If your Institution is seeking to establish eligibility through Section 69432.7(l)(2) of the CEC, please complete the attached “Financial Statement and Demonstration of Administrative Capability to Participate in the Cal Grant Programs” form.

Section 69432.7(l)(1) of the CEC states: “Qualifying institution” means the following:

***“Any California private or independent postsecondary educational institution that participates in the Pell Grant program and in at least two of the following federal campus-based student aid programs: (A) Federal Work-Study, (B) Perkins Loan Program, [and] (C) Supplemental Educational Opportunity Grant Program [SEOG].” Participation in the campus-based programs means the Institution or site has applied for, been allocated funds, and is spending those funds. Participation in the Federal Pell Grant program means that students are eligible to be paid Federal Pell Grant funds for attendance at the Institution.***

...

Initial if applicable:

\_\_\_\_\_ I hereby certify that this Institution meets the requirements of Section 69432.7(l)(1) of the CEC.

Section 69432.7(l)(3) of the CEC states:

***“Any California public postsecondary educational institution.”***

Initial if applicable:

\_\_\_\_\_ I hereby certify that this Institution meets the requirements of Section 69432.7(l)(3) of the CEC.

Section 69440(a) of the CEC states:

***“Commencing with the 2001-02 academic year, and each academic year thereafter, Cal Grant T awards shall be used only for tuition and student fees for a maximum of one academic year of full-time attendance in a program of professional preparation that has been approved by the California Commission on Teacher Credentialing.”***

Initial if applicable:

\_\_\_\_\_ I hereby certify that this Institution meets the requirements of Section 69440(a) of the CEC.

\_\_\_\_\_ I will immediately notify the Commission if the Institution ceases to be eligible under Sections 69432.7(l)(1) or (3), 69440(a) of the CEC, or Article VI of this Agreement.

**Additional requirements:**

Section 66290 of the CEC states:

***“Prior to receipt of any state financial assistance or state student financial aid, a postsecondary educational institution shall provide assurance to the agency administering the funds, in the manner required by the funding agency, that each program or activity conducted by the postsecondary educational institution will be conducted in compliance with this chapter and all other applicable provisions of state law prohibiting discrimination on the basis of sex. A single assurance, not more than one page in length and signed by an appropriate responsible official of the postsecondary educational institution, may be provided for all the programs and activities conducted by a postsecondary educational institution.”***



## Action Item List for IPA Institutional Review Revised 7/18/06

| Current IPA  | Suggested Change/Action   | From                                  |
|--|---|---------------------------------------|
| <p><b>1:</b><br/>Introduction A. The minimum requirements for participation in the Cal Grant Programs for postsecondary institutions in California are established in California Education Code (CEC) 69432.7 (l) and the California Code of Regulations (CCR) Title 5, Section 30009.</p>   | <p>Minimal information for contractual agreement; should either name the codes or provide an addendum prior to signature certification</p>  | <p>San Diego Mesa College</p>         |
| <p><b>2:</b><br/>Article II A. The institution agrees to use Cal Grant funds provided to it solely for the purposes specified, and in accordance with the provisions set forth in the respective program statues, federal and state regulations and procedures, the California Grant Programs Manual including manual updates, policy bulletins, operations memos, and special alerts.</p> | <p>These additional manual updates should be provided to each institution in a year end document fully disclosing changes to the terms of the IPA; paper and electronic format</p>  | <p>San Diego Mesa College</p>         |
| <p><b>3:</b><br/>Article II B ...it is further understood that if such funds are not approved for a fiscal year, the State and the Commission shall be relieved of further payments and this Agreement will be cancelled; if proposed funding amounts are reduced, this Agreement will be limited to the approved amounts only.</p>  | <p>The State and Commission have ample time prior to September to calculate the potential expenditure, analyze, discuss and develop reasonable, viable solutions that avoid the terms of this provision. "Furthermore, if the Commission retains the right to 'breach out of contract', Part B should have time limitations given the serious repercussions to students and the negative impact on the trust of the people of the State of California."</p> | <p>San Diego Mesa College</p>         |
| <p><b>4:</b><br/>Article II C...The Institution shall maintain documentation...</p>  | <p>Specify what that documentation shall be</p>   | <p>ITT Educational Services, Inc.</p> |

## Action Item List for IPA Institutional Review Revised 7/18/06

|  |   |  |
|--|---|--|
| <p><b>5:</b><br/>Article II H. The Institution agrees to retain comprehensive and accurate program and fiscal records that demonstrates institutional and student eligibility that fully documents the accuracy of the grant payments reported and...</p>  | <p>The definitions of “comprehensive,” “accurate,” and “fully document” should be made public and disclosed as part of the IPA or in a Glossary section of the Grant Manual; specify documents</p>    | <p>San Diego Mesa College; ITT Educational Services, Inc.</p>  |
| <p><b>6:</b><br/>Article II I. The Institution agrees to make available at the time of program compliance review, or at the request of the Commission, any records and personnel related to the administration of the Commission’s Cal Grant Programs.</p>   | <p>Add: The Commission agrees to provide the Institution with reasonable notice of at least 30 days to mutually agree upon a date for compliance review.</p>  | <p>CSU Sacramento; CSU Los Angeles</p>                         |
| <p><b>7:</b><br/>Article II J. The Institution agrees that it is subject to and...that noncompliance with any of these provisions may result in termination of this Agreement...The Commission shall provide the Institution written notice of its intent to terminate the Agreement ten (10) days prior to such action.</p> | <p>Lack of forthcoming disclosure; guarantees a “set to fail” environment;<br/>Clarify whether speaking of calendar days or business days</p>   | <p>San Diego Mesa College</p>                                  |
|  | <p>Change 10 to 45 days</p>   | <p>Cerritos College</p>  |
|  | <p>Change 10 to 30 days</p>   | <p>CSU Sacramento; CSU Los Angeles; College of the Sequoia</p> |
|  | <p>Add: The Institution shall be given an additional 30 days to appeal the Commissions intent to terminate.</p>   | <p>CSU Sacramento</p>  |
| <p><b>8:</b><br/>Article III A. 3) Interest on Cal Grant funds in these accounts must be returned to the Commission on behalf of the State.</p>  | <p>This represents several constraints for institutions; can disbursements to Institutions be more flexible or more often than bimonthly?;<br/>Clarify how “interest earned” should be calculated</p> | <p>UC Los Angeles</p>  |

## Action Item List for IPA Institutional Review Revised 7/18/06

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|--|--|---|
| <b>9:</b><br>Article III B. Should the Institution close,... the Institution agrees to return any undisbursed funds or pay any outstanding invoices within ten (10) days.                                  | Change 10 to 45 days   | Cerritos College  |
|  | Change 10 to 30 days   | CSU Sacramento; CSU Los Angeles; College of the Sequoia   |
| <b>10:</b><br>Article III C. ...The Institution also agrees to maintain a <b>separate designation of</b> individuals who authorize and disburse...   | Change to “separation of function between”   | Cerritos College  |
| <b>11:</b><br>Article IV Institutional Responsibilities<br>The Institution understands and agrees to carry out...These must include but are not limited to:  | What are limits if these are all mandates?<br>How can an Institution enter into an agreement of understanding if all requirements are so vague or not explained a tall?  | San Diego Mesa College  |
| <b>12:</b><br>Article IV A. Verification of Eligibility:<br>Verify the recipient meets all eligibility and program requirements and resolve any conflicting information before disbursing Cal Grant funds. | Vague and can be interpreted broadly; clarify; define specific responsibilities; delete; define “confirmation” and “verification”;<br>Remove the word “all”; we do not want to be responsible for gathering information that the student has completed high school graduation requirements;<br>Recommend: verification of CG eligibility consist of resolving any conflicting information between CSAC and the Institution<br>Recommend: Institution be directed to adhere to federal guidelines;<br>Use text from GOM 2003-05 to clarify;<br>What is the definition of CA residency to be used – UC's or CSAC's?;<br>What is acceptable | Palomar College; UC Davis; Cal Poly Pomona University; UC Santa Barbara; CSU Fresno; CSU Fullerton; CSU San Bernardino; San Diego State University; Los Angeles Harbor College; Los Angeles City College; Santa Barbara City College; Laney College; Cerritos College; Diablo Valley College; Fresno City College; Los Medanos College (for Contra Costa College); Mt. San Antonio College; Pasadena City College; Saddleback College; San Bernardino Valley College; |

## Action Item List for IPA Institutional Review Revised 7/18/06

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|  | documentation?<br>Will verification need to be for 100% of the Cal Grant awardees?<br>Could a random sample be selected and verified by CSAC or the institution?   |  |
| <b>13:</b><br>Article IV B. Confirmation of Eligibility: Confirm and document that students listed on a Commission roster or other award notification meet basic eligibility requirements including California residency, financial need and appropriate program eligibility | Remove “document”; clarify;<br>Define “appropriate program eligibility”;<br>Redundant to Art. IV A.;<br>What is the difference between verifying and confirming eligibility?;<br>Eligibility determination needs to be made fully by the Commission or the Institution.  | UC Davis; Cal Poly Pomona University; UC Santa Barbara; CSU Fresno; CSU Fullerton; CSU Northridge; CSU San Bernardino; Los Angeles Harbor College; Santa Barbara City College; Diablo Valley College; Fresno City College; Laney College; Los Medanos College (for Contra Costa College); Mt. San Antonio College; Pasadena City College; Saddleback College; San Bernardino Valley College; Los Angeles City College; Palomar College |
| <b>14:</b><br>Article IV C. 5)   | Define “regularly”   | UC Davis   |
| <b>15:</b><br>Article IV C 6) Make all disbursements no later than September 30 following the end of the award year.   | language needs to address the requirement for disbursement of prior year awards made by the Commission after the Sept. 30 disbursement deadline has passed;<br>Add: “With the exception of late notification of new recipient(s) from the Commission, an extended deadline will be given to the Institution by the Commission.”; | CSU Los Angeles; CSU Fullerton   |
| <b>16:</b><br>Article IV C 7) Establish and publish a policy that informs students of their options...   | Clarify  | CSU Fresno; El Camino College  |

## Action Item List for IPA Institutional Review Revised 7/18/06

|   |  |   |
|---|--|---|
| <p><b>17:</b><br/>Article IV D 2) Reconcile all Cal Grant funds received and disbursed by the Institution no later than October 15 following the award year...The Institution agrees to resolve any reconciliation discrepancies with the Commission.</p> | <p>See first comment on IV C. (6);<br/>Add: “With the exception of late notification of new recipient(s) from the Commission, an extended deadline will be given to the Institution by the Commission for reporting, adjusting and reconciling the payment”;<br/>Add to the last sentence: “Cal Grant Reconciliation between the Financial Aid Office and Fiscal Services should be conducted at least once at the end of each term.”; or within 60 days of the end of the term;<br/>Sixty days after the last disbursement is aggressive, 90 days is more appropriate. If CSAC has a business need to have reconciliations completed by October 15, the Article IV C. 6) must be amended to permit disbursements only through July 15</p> | <p>CSU Los Angeles; CSU Fullerton; Cerritos College; UC Davis</p> |
|   | <p>Change 30 days to 45 days</p>   | <p>Cerritos College</p>   |
|   | <p>After “award year” Add: “and resolve any outstanding payment issues during the months of November and December.”</p>  | <p>Cerritos College</p>   |
| <p><b>18:</b><br/>Article IV D 6) Recalculate, if a recipient withdraws...</p>  | <p>Clarify; include reference to R2TIV in the language for added clarity</p>   | <p>CSU Fullerton; CSU Fresno; El Camino College</p>               |
| <p><b>19:</b><br/>Article IV D 7) Agree to pay any institutional liability...within thirty (30) days of the determination or in the time specified in the program review report.</p>  | <p>A school does not receive the report within 30 days; date of determination needs to be further explained or revised.</p>  | <p>San Diego Mesa College</p>                                     |

## Action Item List for IPA Institutional Review Revised 7/18/06

|   |   |   |
|---|---|---|
| <p><b>20:</b><br/>Article V B. Provide the Institution with guidelines, information, and ongoing assistance with respect to the Institution's administration of the Cal Grant Programs.</p>                       | <p>"This clause has been the source of grievance for many years now as the Commission has had obstacles to fulfill its requirements. Improvements have been made and are visible, but more is needed...";</p>   | <p>San Diego Mesa College</p>                   |
| <p><b>21:</b><br/>Article V D. Generate and provide electronic data files and Grant Rosters that include names, Social Security Numbers and payment amounts of eligible recipients <b>to the Institution.</b></p> | <p>Reorder: "Generate and provide <b>to the Institution</b> electronic data files...";<br/>Delete "Social Security Number" and replace with "CSAC ID"</p>   | <p>ITT Educational Services, Inc.; UC Davis</p> |
| <p><b>22:</b><br/>Article V L. Review and audit the Institution's management of Cal Grant funds for compliance with state and federal law...</p>  | <p>Add: "Provide reasonable notice in advance of scheduled compliance reviews and audits."</p>  | <p>CSU Los Angeles</p>                          |
| <p><b>23:</b><br/>Article VI A.</p>   | <p>Define "change of ownership"; change to "direct ownership change"</p>  | <p>Samuel Merritt College</p>                   |
| <p><b>24:</b><br/>Article VI D. The Commission's representative requests termination of this Agreement in writing or"</p>   | <p>The agreement should explain under what grounds a Commission's representative can make such a request and what due process the Institution has if in disagreement</p>  | <p>San Diego Mesa College</p>                   |
| <p><b>25:</b><br/>Article VI F. June 30, 2007</p>   | <p>"Why should all IPAs end at the same time? Does the revision, and processes required by Commission's staff be so simple that it does not constitute a burden or create a delayed response to the participant Institutions?" Original wording and punctuation quoted.</p> | <p>San Diego Mesa College</p>                   |
| <p><b>26:</b><br/>Article VII Certification</p>   | <p>Redundant; already in Article II J.</p>  | <p>ITT Educational Services, Inc.</p>           |

## Action Item List for IPA Institutional Review Revised 7/18/06

|  |  |   |
|--|--|---|
| <p><b>27:</b><br/>Article VII Name(s), Address(es), and Phone Number(s) of <b>Branch</b> Campus(es) included in this Agreement:</p>  | <p>Should this say <b>Branch or Additional Locations</b>?</p>  | <p>ITT Educational Services, Inc.</p>   |
| <p><b>28:</b><br/>Article VII<br/>(Wherever initials are required)</p>   | <p>Remove "I certify that"</p>   | <p>ITT Educational Services, Inc.</p>   |
| <p><b>29:</b><br/>Article VII, p.10 <b>I certify that the Institution is eligible to participate in the Cal Grant Programs and will provide</b> the following documentation with this Agreement.</p> | <p>Rewrite: "The following documentation is provided with this Agreement."</p>   | <p>ITT Educational Services, Inc.</p>   |
| <p><b>30:</b><br/>Article VII, p.10 #1. ...and two of three federal campus-based program awards is required.</p>   | <p>Why is California the only state that deems this necessary?</p>   | <p>ITT Educational Services, Inc.</p>   |
| <p><b>31:</b><br/>Article VII, p. 10 #2 A copy of the Institution's existing disbursement and refund policy</p>  | <p>The policies for all types of financial aid or only those related to CSAC funds?</p>  | <p>California Maritime Academy</p>  |
| <p><b>32: Miscellaneous Comments</b></p>   | <p>Many of the emails requested more time to respond;</p> <p>Information regarding Cal T may need to updated or deleted;</p> <p>Should there be information regarding a Cal Grant appeal process;</p> <p>Several would like to see the proposed IPA before it goes out for signing;</p> <p>ITT takes issue with the subject of the institution receiving funds; they believe that the student, not the institution, receives the funds. Therefore they would like to see the wording changed in the entire IPA to reflect that. Also, given the possibility of discrepancies in reconciliation (Art. IV, Sec. D, Item 2) the institution should not be required to certify anything that could be erroneous.</p> | <p>14 Community Colleges, no CSUs or UCs.</p> <p>University of La Verne; UC Davis</p> <p>University of La Verne</p> <p>CSU Northridge</p> <p>ITT Educational Services, Inc.</p> |

**Action Item List for IPA Institutional Review  
Revised 7/18/06**

**From:** Max Espinoza (Jorge Cortez)  
**To:** Catherine Thomas; Craig Yamamoto; David Kopperud; Greg Gollihur; Kate Jeffery; Kenneth Evans; Laura Cunha; Lora Jo Bossio; Louise McClain; Maria Hernandez; Mary Lindsey; Mary Robinson; Michelle Sliwa; Noelia Gonzalez; Sharon Bowles; Timothy Bonnel; Veronica Villalobos  
**Date:** 6/20/2006 4:48:00 PM  
**Subject:** IPA Review Letter to Institution Chief Executives

Dear GAC Members:

As scheduled, the Commission released the attached letter beginning the process of reviewing and revising the Cal Grant Institutional Participation Agreement (Agreement). The letter requesting initial input was sent to all current Cal Grant Participating Institution school chief executives on May 23, 2006 with a copy of the current Agreement enclosed. The letter was also forwarded with enclosures to financial aid and fiscal officers at Cal Grant Participating Institutions.

As you can see, the letter explains the upcoming review and potential revision of the Agreement prior to the expiration of current Agreements and the execution of new Agreements. Specifically, the schools were asked to review the Agreement and provide feedback on suggested changes and identify specific areas that required clarification by June 15, 2006. Although the Commission staff will continue to accept comments from schools after that date, this date was provided in the attached letter in order for Commission staff to have the opportunity to compile the information and begin its review, including transmitting the information as requested to the Grant Advisory Committee and others by the end of June.

You will remember that the Commission staff presented and had extensive discussion with you regarding the time line for having new Agreements in place in 2007 in a manner that ensures proper consultation and time for review. Since that time, minor revisions to the time line have been made to add school sites visits by the Commission's Executive Director and to ensure more Commissioner and control agency review earlier in the process. Please see the attached time line for your reference.

As noted at prior GAC meetings, the attached time line is only a guide for planning purposes and is not set in stone. From the attached time line, you will see that GAC requested to see the school input received with the understanding that it would likely be in late June. While the time line is only a guide for planning purposes, the Commission staff will do everything we can to adhere to this time line within existing workload considerations and other unknown factors that may arise.

If you have any questions about this letter or the process for renewing the Agreement, please contact me at (916)526-7967.

Sincerely,

Max Espinoza, Chief  
Program Administration & Services Division

**CC:** Anne Robertson; Bryan Dickason; Catalina Mistler; Corazon Manuel; Diana Fuentes-Michel; Dianna Ximenez; Drew Schrepel; Judith Beck; Keith Yamanaka; Lori Nezhura; Max Espinoza; Veronica Rodriguez

# CALIFORNIA STUDENT AID COMMISSION

Office of the Executive Director



May 23, 2006

CEO/President/Chancellor  
Name of School  
Street Address  
City, Zip Code

Dear:

The California Student Aid Commission (Commission) is in the process of reviewing and potentially revising the current Institutional Participation Agreement (Agreement) in preparation for their expiration and the execution of new Agreements in June 2007. As provided in state law, the Agreement is the managing document in place between schools and the Commission which specifies the requirements for institutional participation in the Cal Grant Programs.

In order to develop an agreement that explicitly addresses the various areas of responsibility for schools; by virtue of this letter, we are asking school officials to review the current Agreement and provide feedback on suggested changes and identify specific areas that you may feel require further clarification in the Agreement. You and your staff's understanding of this document is critical because a school must have a signed Agreement in place to participate in the Cal Grant program and commits to following the Agreement's provisions by signing the Agreement.

The Agreement specifies requirements for schools such as state regulatory guidelines as specified in the California Education Code (CEC) 69432.7(k).

**"...Prior to disbursing any Cal Grant funds, a qualifying institution shall be obligated, under the terms of its institutional participation agreement with the commission, to resolve any conflicts that may exist in the data the institution possesses relating to that individual."**

And CEC 69432.8:

**"...Each institution shall disburse the funds in accordance with the provisions set forth in the institutional agreement between the commission and the institution."**

The Agreement is undergoing its first comprehensive review since the implementation of Senate Bill 1644 which became effective with the 2001-2002 school year. Therefore, we are asking you to confer with departments in your school that interact with the Commission including your fiscal and financial aid offices, to identify any areas in the Agreement where we can clarify school responsibilities. You may also want to have your legal counsel review the document.

MAILING ADDRESS: P.O. BOX 419026 STREET ADDRESS: 419026 International Drive Rancho Cordova, CA 95670  
TEL 916/526-8999 FAX 916/526-8063 WEB SITE [www.csac.ca.gov](http://www.csac.ca.gov)

- 2 -

Any comments and recommendations will be shared with the Commission's Grant Advisory Committee (GAC). The GAC consists of members for the various school system and educational segments who are tasked to review and provide recommendations to the Commission on major proposed or planned grant program or policy changes, particularly those relating to the administration of the Cal Grant program. Once the Agreement is updated, it will be presented to the Commission for their review and approval.

A copy of the current Agreement is enclosed for you and your staff's review. Please submit your comments and recommendations in writing by June 15, 2006 by email to Corazon Manuel at [CManuel@csac.ca.gov](mailto:CManuel@csac.ca.gov), by fax at (916) 526-8002, or by mail at Program Administration & Services Division, P.O. Box 419028, Rancho Cordova, CA 95741-9028.

If you have any questions about this letter or the process for renewing the Agreement, please feel free to contact Ms. Manuel at (916) 526-7960. We look forward to the opportunity to review and consider your comments and/or recommendations. Your input is valuable in the review process. Thank you for your continued partnership in serving students.

Sincerely,



Diana Fuentes-Michel  
Executive Director

Enclosure: IPA

cc: Financial Aid Director  
Fiscal Officer



**CALIFORNIA STUDENT AID COMMISSION**  
**CAL GRANT PROGRAM**

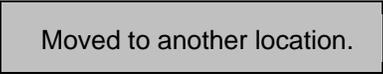
Institutional Participation Agreement  
For Renewing Postsecondary Institutions

Name of Institution: \_\_\_\_\_

Address of Institution: \_\_\_\_\_

USED School Identification Number: \_\_\_\_\_

Key to Changes

|  |                          |
|--|--------------------------|
|  Moved to another location. | Wording not yet decided. |
| <del>Deleted from the document entirely.</del>   |                          |
| Moved from another location.   |                          |
| Changed from the 2003 IPA.   |                          |

Execution of this Agreement is mandatory for participation in the California Student Aid Commission's Cal Grant Programs.

**INTRODUCTION** (make an article for institutional eligibility?)

Moved to Article II A.

A. The minimum requirements for participation in the Cal Grant Programs for postsecondary institutions in California are established in California Education Code (CEC) 69432.7(l) and the California Code of Regulations (CCR) Title 5, Section 30009.

(1) For non-public postsecondary institutions to participate in the Cal Grant Programs, an institution must be approved by the United States Department of Education (USED) to participate in the Federal Pell Grant program and two of the three federal campus-based student aid programs. The campus-based programs include Federal Work-Study, Federal Perkins Loan and the Federal Supplemental Educational Opportunity Grant (SEOG) programs [CEC 69432.7(l)(1)]. Specifically, participation in the campus-based programs means the postsecondary institution has been allocated funds and is spending those funds at each campus/site/branch ("campus") that Cal Grant recipients attend. These program requirements are set forth in CCR 30009(b).

(2) For non-public postsecondary institutions, California law allows an exception to the requirement of participation in the federal student aid programs. Cal Grant awards may be utilized at any nonprofit institution headquartered and operating in California that: (a) certifies to the Commission that ten (10) percent of the institution's operating budget, as demonstrated in an audited financial statement, is expended for the purposes of institutionally funded student financial aid in the form of grants, (b) demonstrates to the Commission that it has the administrative capability to administer the funds, and (c) is accredited by the Western Association of Schools and Colleges [CEC 69432.7(l)(2) and CCR 30009 (c)].

(3) A California public postsecondary educational institution or program may participate in the Cal Grant Programs [CEC 69432.7(l)(3)].

~~B. Commencing with the 2001-02 academic year and each academic year thereafter, Cal Grant T awards shall be used only for tuition and student fees for a maximum of one academic year of full-time attendance in a program of professional preparation that has been approved by the California Commission on Teacher Credentialing [CEC 69440(a)].~~

C. An otherwise qualifying institution shall be deemed disqualified if it no longer possesses all of the requirements for a qualifying institution [CCR 30009(d)].

Moved to Article II B.

D. If a shift in control or change of ownership of an institution occurs, the Agreement expires and the institution's Cal Grant participation ends on the date of the shift in control or change of ownership. If the new controlling party or new owner wishes to continue Cal Grant participation, a new Agreement must be completed

Moved to Article I, Para. 4

E. This Agreement covers only campus(es) indicated on this Agreement. A new Agreement is required for any additional campus.

Moved to Article I, Para. 3

~~F. As used in this Agreement, "academic year" and "award year" mean July 1 to June 30 as defined in CEC 69432.7.~~

## ARTICLE I

### Participation

The Commission and \_\_\_\_\_ hereafter referred to as the "Institution" agree to the terms contained in this Agreement.

This Agreement governs the Institution's eligibility to participate in and ability to receive funds for all of the Cal Grant Programs administered by the Commission.

*This Agreement applies only campus(es) indicated on this Agreement as listed in Article VII. A new Agreement is required for any additional campus(es).*

From Intro E.

*If a shift in control or change of ownership of an institution occurs as defined in Article VI, the Agreement expires and the institution's Cal Grant participation ends on the date of the shift in control or change of ownership. If the new controlling party or new owner wishes to continue Cal Grant participation, a new Agreement must be completed.*

From Intro D.

## ARTICLE II

### General Provisions

A. *The minimum requirements for participation in the Cal Grant Programs for postsecondary institutions in California are established in California Education Code (CEC) 69432.7(l) and the California Code of Regulations (CCR) Title 5, Section 30009.*

From Intro A, A.(1), and A.(2)

- (1) *For non-public postsecondary institutions to participate in the Cal Grant Programs, an institution must be approved by the United States Department of Education (USED) to participate in the Federal Pell Grant program and two of the three federal campus-based student aid programs. The campus-based programs include Federal Work-Study, Federal Perkins Loan and the Federal Supplemental Educational Opportunity Grant (SEOG) programs [CEC 69432.7(l)(1)]. Specifically, participation in the campus-based programs means the postsecondary institution has been allocated funds and is spending those funds at each campus/site/branch (Campus) that Cal Grant recipients attend. These program requirements are set forth in CCR 30009(b).*
- (2) *For non-public postsecondary institutions, California law allows an exception to the requirement of participation in the federal student aid programs. Cal Grant awards may be utilized at any nonprofit institution headquartered and operating in California that: (a) certifies to the Commission that ten (10) percent of the institution's operating budget, as demonstrated in an audited financial statement, is expended for the purposes of institutionally funded student financial aid in the form of grants, (b) demonstrates to the Commission that it has the administrative capability to administer the funds, and (c) is accredited by the Western Association of Schools and Colleges [CEC 69432.7(l)(2) and CCR 30009 (c)].*
- (3) *A California public postsecondary educational institution or program may participate in the Cal Grant Programs [CEC 69432.7(l)(3)].*

- From Intro C.
- B. *An otherwise qualifying institution shall be deemed disqualified if it no longer possesses all of the requirements for a qualifying institution [CCR 30009(d)].*
- C. *The Institution agrees to use Cal Grant funds provided to it solely for the purposes specified, and in accordance with the provisions set forth in the respective program statutes, federal and state regulations and procedures, the California Grant Programs Manual (CGPM) including manual updates, policy bulletins, operations memos, and special alerts.* From II A.
- D. *The Institution acknowledges that no Cal Grant funds have been authorized for a fiscal year until such time as that fiscal year's budget has been adopted by the Legislature and signed by the Governor. It is further understood that if such funds are not approved for a fiscal year, the State and the Commission shall be relieved of further payments and this Agreement will be canceled; if proposed funding amounts are reduced, this Agreement will be limited to the approved amounts only.* From II B.
- E. *The Institution agrees to maintain standards of administrative capability and financial stability in accordance with state and federal law and regulations as applicable. ~~The Institution shall maintain documentation that allows the Commission to determine its adherence to fiscal responsibility and standards.~~* From II C.
- F. *The Institution agrees to retain comprehensive and accurate program and fiscal records (see attachment) that demonstrate institutional and student eligibility and that fully documents the accuracy of the grant payments reported and the right of the Institution to receive or retain payments made by the Commission for a period of three (3) years following the last day of the period for which the grant was intended.* From II H.
- G. *The Institution agrees to make available at the time of program compliance review, or at the request of the Commission, any records and personnel related to the administration of the Commission's Cal Grant Programs.* From II I.
- H. *The Institution shall maintain written policies and procedures governing the administration and processing of Cal Grant funds under this Agreement.* From II G.
- I. *The Institution agrees to establish written policies and procedures that provide security and confidentiality of all recipients' personal identification information, payments, financial history and other related confidential information and documents as required under state and federal law and regulations.* From II D.
- J. *When the Institution participates through the Commission's electronic system, the Institution agrees to comply with the Information Security and Confidentiality Agreement. Provide documentation of information technology/database security (ask John Bays).* From II E.
- K. *The Institution agrees to maintain a current designation of individuals who are responsible for coordinating and communicating with the Commission on matters related to the provisions of this Agreement.*
- L. *The Institution agrees that it is subject to and must comply with all current and applicable state and federal law and regulations in its enforcement of the terms of this Agreement. The Institution agrees that noncompliance with any of these provisions may result in the termination of this Agreement and the privileges that are afforded under it. The* From II J.

*Commission shall provide the Institution written notice of its intent to terminate the Agreement **forty-five (45) days** prior to such action.*

### ARTICLE III

#### **Cal Grant Account Maintenance – Institutional Responsibilities**

- A. The Institution agrees to maintain all Commission Cal Grant funds in a designated account identified as the property of the State either by a ledger account or a bank account.
- 1) The Institution may deposit funds from various sources including Cal Grant funds into one bank account, but must identify the Cal Grant funds by using subsidiary ledgers. All activity (deposits and expenditures) of Cal Grant funds must be supported by appropriate accounting records in accordance with generally accepted accounting principles and practices.
  - 2) The Institution may establish a separate bank account designated for Cal Grant funds.
  - 3) Interest earned on Cal Grant funds in these accounts must be returned to the Commission on behalf of the State *at least once annually by the end of the academic year.*

*B. The Institution agrees to maintain an accounting system which conforms to generally accepted accounting principles and practices that includes such items as, but is not limited to, cash receipts and disbursement journals, bank account reconciliation, evidence of receipt of funds by recipients or credit of funds to recipients, and all other accounting records necessary to account for all transactions.*

From IV D. (1)

C. The Institution agrees to maintain a *separation of function/duties between* individuals who are responsible for Cal Grant account maintenance and adherence to accepted accounting practices and principles. The Institution also agrees to maintain a *separation of function/duties between* individuals who authorize and disburse Cal Grant funds so that no one individual is responsible for both functions.

*D. Should the Institution close, lose federal financial aid eligibility, or no longer meet the statutory definition of an eligible institution, or upon termination of this Agreement, the Institution agrees to return any undisbursed funds or pay any outstanding invoices within **forty-five (45) days**.*

From III B.

### ARTICLE IV

#### **Cal Grant Disbursement - Institutional Responsibilities**

The Institution understands and agrees to carry out the following responsibilities at the time Cal Grant funds are transferred to the recipient or to the recipient's account. These must include but are not limited to:

A. Verification of Eligibility: *Confirm and document* the recipient meets all eligibility and program requirements and resolve *and report to the Commission* any conflicting information *of the following items* before disbursing Cal Grant funds:

- 1) *that the student is a U.S. citizen or an eligible non-citizen.*
- 2) *that the student has met U.S. Selective Service requirements.*
- 3) *that student has a valid Social Security number.*
- 4) *that the student is not incarcerated.*
- 5) *that the recipient is not in default on any Title IV educational loan or owes a refund on any Title IV grant (e.g. Federal Pell or Federal SEOG) or any State grant program administered by the Commission (CEC 69507.5) (CEC 69517.5). (AB 840)*
- 6) *that the recipient is a legal California state resident for at least one year as of application cycle deadline of the award year according to the Commission's CGPM.*
- 7) *that each recipient is enrolled in an eligible program or course of study.*
- 8) *that each recipient does not have a bachelor's or professional degree before receiving a Cal Grant (except for post baccalaureate students enrolled in teaching credential programs).*
- 9) *designated recipient's participation in an eligible graduate teaching credential or mandatory 5<sup>th</sup> year program as approved by the Commission.*
- 10) *that the attendance status for each recipient on the grant roster is in accordance with the established institutional policies and guidelines set forth in the CGPM.*
- 11) *that the recipient demonstrates financial need at the Institution.*
- 12) *that the recipient with a new award has family income and assets below the published Cal Grant ceilings.*
- 13) *that the recipient is complying with the Institution's satisfactory academic progress policies.*
- 14) *Maintain documentation for a period of three years.*

Removed

B. Confirmation of Eligibility: Confirm and document that students listed on a Commission roster or other award notification meet basic eligibility requirements including California residency, financial need and appropriate program eligibility.

B. Disbursement of Cal Grant Funds:

1) & 2) combined from 2003

- 1) Establish a written disbursement policy and schedule consistent with the start dates *reported to the Commission on the College Estimate Form*. The disbursement policy should include the Institution's enrollment/*payment* periods *reported to the*

Revisions made to this point.

*Commission and be proportional in length* and in accordance with the applicable requirements specified for each educational program.

- 2) Determine course attendance according to the recipient's attendance status at the time Cal Grant funds are paid.
- 3) *For* "Access" and "Books and Supplies" payments, *disburse* within ten (10) *business* days of verification of enrollment status.
- 4) Disburse no more than that which the recipient is eligible to receive per academic term. *In the case of an overaward*, the Institution must use its institutional refund policy to determine the portion to be returned to the Commission on behalf of the State. Cal Grant funds may not be used for reimbursement to the federal government.
- 5) Regularly submit *Report* payment transactions through WebGrants *or* data files ~~of the Grant Roster~~ *within sixty (60) days of disbursement of Cal Grant funds*.
- 5) Make all disbursements no later than September 30 following the end of the award year (e.g., September 30, 2003, for award year 2002-03).
- 6) Establish and publish a policy that informs students of their options regarding receipt of Cal Grant funds and their subsequent ability to rescind their existing instructions at any time.

D. Reconciliation:

- 1) Reconcile all Cal Grant funds received and disbursed by the Institution no later than October 15 following the award year (e.g., October 15, 2003, for the 2002-03 award year). The Institution must report adjusted payment transactions for payment transactions previously reported in error that result in a payment exceeding the recipient's eligibility.

Upon final reconciliation by the Institution, the Institution shall repay any Cal Grant funds in excess of the reconciled amount to the Commission. Upon final reconciliation by the Commission, the Institution shall be invoiced for excess funds. The invoice shall be due and payable to the Commission within 30 days of receipt of the invoice. The Institution agrees to resolve any reconciliation discrepancies with the Commission.

- 2) Submit annual College Cost Estimates to the Commission by the deadline specified.
- 3) Certify the accuracy of all payment transactions submitted to the Commission. Certification of electronic submissions (WebGrants and data files) must be provided through the Information Security and Confidentiality Agreement. Signatures from the financial aid and accounting offices demonstrate certification for paper Grant Rosters.
- 4) Agree to reconcile Cal Grant program expenditures for each award year on a student-by-student basis. The Institution certifies that it has paid each student an amount that reconciles to the Commission's records for both Cal Grant funds

expended and student attendance. An institution may not apply excess Cal Grant funds to any other student's account or to any prior year accounts.

- 5) Recalculate, if a recipient withdraws, drops out or is expelled for a term for which a payment has been made, based upon the Institution's repayment policy, whether an overpayment has been made to the recipient and whether the recipient owes a repayment to the Commission.
  - 6) Agree to pay any institutional liability that is determined as a result of a program compliance or an audit review within thirty (30) days of the determination or in the time specified in the program review report.
  - 7) Liability to the Commission for the Institution's actions or omissions under this Agreement shall not exceed the actual amount of Cal Grant funds that the Institution is not entitled to retain.
  - 8) Failure by the Institution to take action on Cal Grant funds that the Institution is ineligible to retain may constitute noncompliance and may result in the termination of this Agreement thereby terminating the Institution's participation in the Cal Grant Programs.
- E. The Institution agrees to maintain a current designation of individuals who are responsible for Cal Grant disbursement and adherence to accepted accounting practices and principles. The Institution also agrees to maintain a separate designation of individuals who authorize and disburse Cal Grant funds so that no one individual is responsible for both functions.

## **ARTICLE V**

### **Cal Grant Program Guidelines - Commission's Responsibilities**

- A. Determine new applicants' initial eligibility for Commission-administered grant programs by evaluating their financial information and program specific data as provided on the Free Application for Federal Student Aid (FAFSA), the verified Grade Point Average, and any other selection process.
- B. Provide the Institution with guidelines, information, and ongoing assistance with respect to the Institution's administration of the Cal Grant Programs.
- C. Identify recipients who are in default on any educational loans as indicated by the FAFSA information.
- D. Generate and provide electronic data files and Grant Rosters that include names, Social Security Numbers and payment amounts of eligible recipients to the Institution.
- E. Provide the Institution with instructions for completing payment transactions.
- F. Notify the Institution of accepted and rejected payment transactions.
- G. Reconcile accepted payment transactions.

- H. Provide the State Controller's Office with the documentation needed to issue Electronic Funds Transfer (EFT) or mail warrants for payment to the Institution.
- I. Provide the Institution with regularly updated electronic data and Grant Rosters identifying reconciled payments.
- J. Invoice the Institution for funds due the Commission as a result of the final reconciliation process and notify the Institution if funds will be withheld pending the return of delinquent repayments.
- K. Retain records relative to Commission grants and grant payments for a period of three (3) years following the last day of the award year.
- L. Review and audit the Institution's management of Cal Grant funds for compliance with state and federal law and regulations and Commission policies.

## **ARTICLE VI**

### **Agreement Duration**

This Agreement is effective when it is executed by the Commission's representative. This is generally later than its execution by the Institution's representatives. It supersedes any prior Agreements executed between the Commission and the Institution, and automatically terminates upon the occurrence of any of the conditions below:

- A. The Institution undergoes a change which results in change of ownership or control; or
- B. The Institution closes or ceases operation; or
- C. The Institution or site no longer possesses all of the requirements for a qualifying institution; or
  - a. a shift in control,
  - b. change of ownership,
  - c. or any other significant change in the control of the institution
- D. The Commission's representative requests termination of this Agreement in writing; or
- E. The Institution's Chief Executive Officer requests termination of this Agreement in writing; or
- F. June 30, 2007.

## **ARTICLE VII**

### **Certification**

As Chief Executive Officer of this Institution, I agree that this Institution and its "campus(es)" (if any) will comply with all state and federal statutes and regulations, rules, and guidelines applicable under this Agreement.

Name and Address of Main Campus: USED School  
Identification Number

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Name(s), Address(es), and Phone Number(s) of Branch  
Campus(es) included in this Agreement: USED School  
Identification Number

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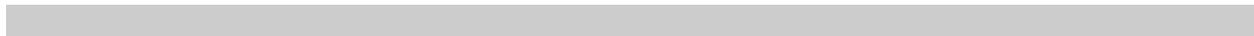
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Please indicate which of the following section(s) establish your Institution's eligibility to participate in the Cal Grant Programs. Many institutions' eligibility is established through Section 69432.7(l)(1) or (3) or 69440(a) of the CEC. If your Institution is seeking to establish eligibility through Section 69432.7(l)(2) of the CEC, please complete the attached "Financial Statement and Demonstration of Administrative Capability to Participate in the Cal Grant Programs" form.

Section 69432.7(l)(1) of the CEC states: "Qualifying institution" means the following:

***"Any California private or independent postsecondary educational institution that participates in the Pell Grant program and in at least two of the following federal campus-based student aid programs: (A) Federal Work-Study, (B) Perkins Loan Program, [and] (C) Supplemental Educational Opportunity Grant Program [SEOG]." Participation in the campus-based programs means the Institution or site has applied for, been allocated funds, and is spending those funds. Participation in the Federal Pell Grant program means that students are eligible to be paid Federal Pell Grant funds for attendance at the Institution.***

...

Initial if applicable:

\_\_\_\_\_ I hereby certify that this Institution meets the requirements of Section 69432.7(l)(1) of the CEC.

Section 69432.7(l)(3) of the CEC states:

***“Any California public postsecondary educational institution.”***

Initial if applicable:

\_\_\_\_\_ I hereby certify that this Institution meets the requirements of Section 69432.7(l)(3) of the CEC.

Section 69440(a) of the CEC states:

***“Commencing with the 2001-02 academic year, and each academic year thereafter, Cal Grant T awards shall be used only for tuition and student fees for a maximum of one academic year of full-time attendance in a program of professional preparation that has been approved by the California Commission on Teacher Credentialing.”***

Initial if applicable:

\_\_\_\_\_ I hereby certify that this Institution meets the requirements of Section 69440(a) of the CEC.

\_\_\_\_\_ I will immediately notify the Commission if the Institution ceases to be eligible under Sections 69432.7(l)(1) or (3), 69440(a) of the CEC, or Article VI of this Agreement.

**Additional requirements:**

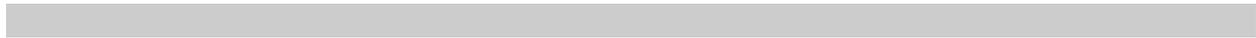
Section 66290 of the CEC states:

***“Prior to receipt of any state financial assistance or state student financial aid, a postsecondary educational institution shall provide assurance to the agency administering the funds, in the manner required by the funding agency, that each program or activity conducted by the postsecondary educational institution will be conducted in compliance with this chapter and all other applicable provisions of state law prohibiting discrimination on the basis of sex. A single assurance, not more than one page in length and signed by an appropriate responsible official of the postsecondary educational institution, may be provided for all the programs and activities conducted by a postsecondary educational institution.”***

\_\_\_\_\_ I hereby certify that this Institution meets the requirements of Section 66290 of the CEC.

I certify that the Institution is eligible to participate in the Cal Grant Programs and will provide the following documentation with this Agreement:

1. A copy of the Institution's final authorization notice of funding for allocation of the Federal Pell Grant and federal campus-based student aid programs (SEOG, Work-Study, Perkins Loan) for the current award year. If more than one campus is funded through the same allocation, documentation (i.e. accounting ledger entries, payroll statements, etc.) that verifies each campus (es)' participation in Pell Grant and two of three federal campus-based program awards is required.
2. A copy of the Institution's existing disbursement and refund policies.



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Signature of Institution's Chief Executive Officer

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Date

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Type or Print Name and Title

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Signature of Commission Representative

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Date

Max Espinoza, Chief, Program Administration & Services